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# BUSINESS WEEK

A McGRAW-HILL PUBLICATION

FIFTY CENTS

APRIL 22, 1961

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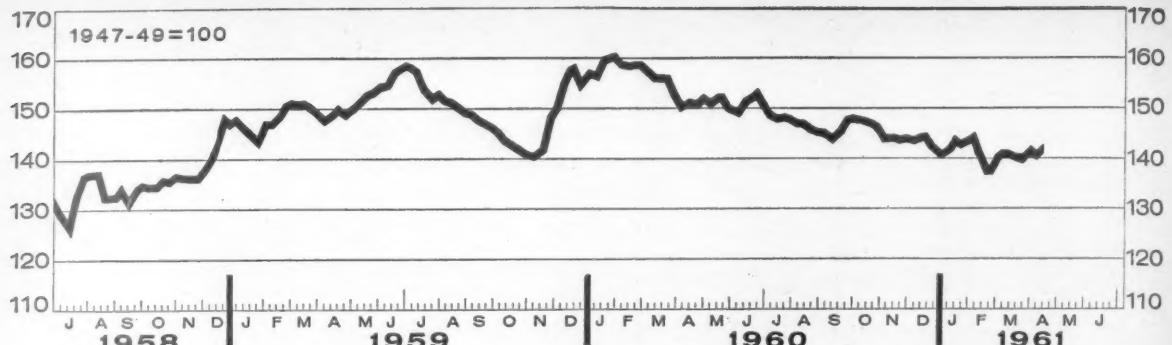
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## PRODUCTION

Steel ingot (thous. of tons).....	2,032	2,225	1,574	1,696r	1,748
Automobiles .....	125,553	135,412	71,083	93,730 r	114,576
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$78,998	\$68,510	\$65,130	\$69,443
Electric power (millions of kilowatt-hours).....	10,819	13,263	14,554	13,617	14,434
Crude oil and condensate (daily av., thous. of bbls.).....	6,536	7,032	7,353	7,227	7,248
Bituminous coal (daily av., thous. of tons).....	1,455	1,397	1,022	1,151r	1,094
Paperboard (tons).....	247,488	324,743	320,783	305,857	315,490

TRADE

<b>Carloadings: miscellaneous and l.c.l. (daily av., thous. of cars).....</b>	<b>70</b>	<b>60</b>	<b>51</b>	<b>53</b>	<b>53</b>
<b>Carloadings: all others (daily av., thous. of cars).....</b>	<b>47</b>	<b>40</b>	<b>31</b>	<b>32</b>	<b>32</b>
<b>Department store sales index (1947-49 = 100, not seasonally adjusted)....</b>	<b>121</b>	<b>153</b>	<b>128</b>	<b>151</b>	<b>128</b>
<b>Business failures (Dun &amp; Bradstreet, number).....</b>	<b>198</b>	<b>308</b>	<b>363</b>	<b>343</b>	<b>383</b>

## PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	93.3	92.6	92.4	92.9
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	76.7	78.0	78.8	79.5
Print cloth (spot and nearby, yd.).....	19.8¢	20.5¢	17.5¢	17.5¢	17.5¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.8	186.2	186.1	186.1
Scrap steel composite (Iron Age, ton).....	\$36.10	\$33.50	\$38.50	\$39.17	\$37.83
Copper (electrolytic, delivered price, E&MJ, lb.).....	32,394¢	33,000¢	29,000¢	29,000¢	29,000¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	26.0¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	††	25.05¢	22.60¢	21.80¢	21.89¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$2.09	\$2.02	\$1.99	\$1.98
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	32.09¢	31.10¢	31.30¢	31.39¢
Wool tops (Boston, lb.).....	\$1.96	\$1.73	\$1.65	\$1.62	\$1.71

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	56.15	64.62	66.21	66.26
Medium grade corporate bond yield (Baa issue, Moody's).....	3.59%	5.20%	5.02%	5.00%	5.01%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½ %	4⅓ %	3 %	3 %	3 %

**BANKING (Millions of Dollars)**

Demand deposits adjusted, reporting member banks.....	††	60,138	60,808	59,386	60,544
Total loans and investments, reporting member banks.....	††	101,314	110,222	109,281	109,202
Commercial, industrial and agricultural loans, reporting member banks....	††	31,871	33,090	32,925	32,850
U. S. Gov't guaranteed obligations held, reporting member banks.....	††	24,504	30,236	29,682	29,399
Total federal reserve credit outstanding.....	26,424	27,093	28,116	27,973	27,978
Gold Stock		21,879	19,386	17,384	17,388

## MONTHLY FIGURES OF THE WEEK

		Average	Ago	Ago	Month
Housing starts (in thousands).....	March.....	101.5	93.3	77.9	106.5
Personal income (seasonally adjusted, in billions).....	March.....	\$296.1	\$397.0	\$406.2	\$407.8**
Farm income (seasonally adjusted, in billions).....	March.....	\$16.0	\$14.3	\$16.9	\$17.0
Bank debits (in billions).....	March.....	\$158.1	\$245.7	\$222.7	\$255.4
Wholesale prices (U. S. Dept. of Labor BLS, 1947-49 = 100).....	March.....	110.4	120.0	119.9	119.8

\* Preliminary, week ended April 15, 1961.

†† Not available. Series revised.

*\*\* Excluding a stepped up rate of National Service Life Insurance Dividend Payments to Veterans.*

x Revised

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## READERS REPORT

### The Economic Tripod

Dear Sir:

Special Voice for Consumers? [BW—Apr. 8'61, p70].

Yes—a strong, masculine voice at Cabinet level. Two segments of our economy, business and labor, are well represented. Now we need an All-American Secretary of Consumers to complete this economic tripod. He should have the qualities of America's first practical economist, the original Henry Ford, and have those tough curmudgeon qualities of a Harold Ickes.

A strong Secretary would take the heat off the Administration, and take labor off the back of business. He would put America on the right track again: broadened markets through lower wages for the strongly entrenched. Business and labor appear to have performed a brother act on a cost-plus basis, and now complain of a profit-squeeze and unemployment on the morning after. A strong Secretary of Consumers would supply the missing balance wheel . . .

Higher prices without representation in the Cabinet is a cruel form of economic tyranny. Let's have a strong Secretary of Consumers.

RICHARD MILLER

PHILADELPHIA, PA.

### Pro-Peace Corps

Dear Sir:

Your editorial on the Peace Corps [BW—Mar. 11'61, p144] pointed up the most valuable aspect of the program—the grassroots impact. . . .

No government can hide foreign aid from its people when the United States is represented by an animal husbandry specialist helping a foreign farmer with his sick animals on a remote farm or an American trade unionist showing his local counterpart how to thwart Communist influence in his union. It is on this level—people to people—that we have gained lasting bonds.

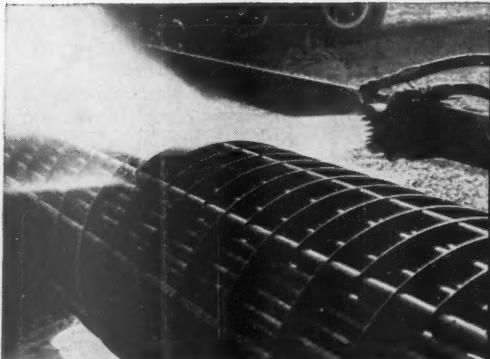
. . . However, there is one area of preparation that has been neglected . . . That is to equip the personnel of the Corps with substantial knowledge on the nature of the United States and its institutions—how our democracy works here, the challenges of free enterprise, the factors contributing to our high standard of living. . . .

FRANK A. BAIRD

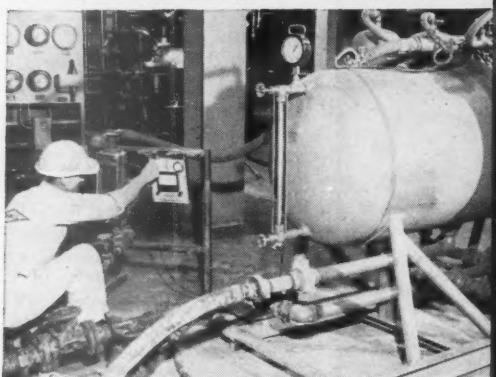
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# BUSINESS OUTLOOK

BUSINESS WEEK

APR. 22, 1961



The recovery is under way, but there are questions: How soon will it pick up steam? Will the economy return to pre-recession levels before year-end? Will the impetus come from private demand or public programs?

There are no answers yet—but businessmen found much to cheer about in figures that spilled out of Washington and Wall Street this week:

- Orders and sales of durables rose for the second consecutive month.
  - Industrial production turned up for the first time in eight months.
  - Personal income reversed its five-month slide.
  - Housing starts rebounded with better-than-usual spring vigor.
  - Industrial stock prices scaled new summits.
  - Steel production broke through 1.7-million tons for the first time in the weekly count since June, 1960.
  - Insured unemployment plummeted for the sixth week in a row.
- 

April steel output could hit 60% of capacity, the way it has been picking up in recent weeks. Orders now on the books indicate April will show a 10% improvement over March, according to Iron Age.

Pittsburgh, meanwhile, is keeping a close watch on Detroit. Detroit, in turn, is carefully eying the rising tide of auto sales.

More evidence of inventory building in metalworking showed up in the Commerce Dept.'s flash report on March bookings and shipments of hardgoods. Both sales and orders gained 1% over February, seasonally adjusted.

The gain came in companies producing raw and fabricated metals.

In March, American industry stirred from its long lethargy. After drifting lazily downward since May, 1960, the Federal Reserve Board's Index of Industrial Production perked up a bit.

It can't be called a vigorous recovery yet—but recovery it is. And the way April is shaping up, it promises to better the March record by at least a full point on the index.

The March index stood at 102.4, seasonally adjusted—a half-point higher than the February bottom. That's a long way, of course, from the pre-recession high of 111, touched in January, 1960.

Autos and industrial machinery were the chief drag on the index in March. The production index for passenger cars stood at a scant 71—the lowest level since 1958.

On the plus side, primary metals, textiles, chemicals, television, and home radios posted gains of at least one point, after adjustment for normal seasonal improvements.

The pickup in crude oil and the decline in coal turned out to be mutually offsetting in the mining index, which held close to the February level.

—●—

Weather gets a large share of credit for the March turnaround in personal income. Springlike temperatures boosted payrolls in construction and other outdoor work.

# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK  
APR. 22, 1961

Another big assist, though a temporary one, came from stepped-up payments of National Service Life Insurance dividends to veterans.

Payments normally made during the last nine months of the year (on the anniversary of the policy) were rushed out in March as part of the Administration effort to beef up consumer buying power.

Checks totaling \$150-million were mailed to policyholders during the month. When added to personal income at an annual rate, it pushed the total to \$409.6-billion.

But the improvement in personal income was genuine, nonetheless. When you subtract the unusual upsurge in veterans' payments, you wind up with \$407.8-billion.

This turns out to be \$1.6-billion better than February, and \$10.8-billion higher than March, 1960. It's the first gain in this key indicator since it started receding last November.

Best of all was the gain in manufacturing payrolls—which halted a down-trend begun in June, 1960. The upturn was small—only \$200-million annually—but promising, all the same.

Higher employment levels, longer work weeks, and better earnings in apparel, textile, and food plants set the pace in nondurables.

And though there was a real pickup in hardgoods—notably in primary metals and stone, clay and glass—it was largely offset by cutbacks in autos, lumber, and machinery.

Business and professional proprietors' income edged up a little in March, marking the first increase here in eight months.

Farm income, transfer payments (not including the increase in veterans' dividends), and wages and salaries originating in government and services continued their climb, uninterrupted by the recession.

—•—

That conspicuous laggard, private homebuilding, took a giant step toward recovery during March.

Private starts rose to an annual rate of 1,283,000 units, beating February's dismal score by 8%, and storm-struck March, 1960, by more than 15%. Moreover, it was the third consecutive increase since December.

Housing starts will look increasingly better as the year progresses—if only by comparison with 1960's unimpressive record. As of March, however, last year was still ahead.

During the first quarter, actual private starts totaled 248,000 units—17,200 short of 1960's first quarter. But the gap narrows to only 10,000 units when you include public housing.

It's still too early to tell whether Administration efforts to jack up mortgage funds and lower interest rates will have the desired effect on new home construction. Any work started in March doubtless was already planned by the time Washington made its moves.

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APRIL 22, 1961

NUMBER 1651

## Kennedy Lays Out His Tax Plan

Pres. Kennedy's \$1.7-billion tax incentive proposal for stimulating business spending on modern plant and equipment—along with his recommendations for raising more revenue through other business taxes—is already one of his most controversial programs.

Kennedy's tax incentive is backed by the Administration's economic and tax planners but is opposed vigorously by many businessmen, many members of Congress, and—privately—by many top figures in his own Administration.

In addition, his proposal to "take away from business with one hand what he gives with the other" is viewed sourly by many business executives. Many say privately that they personally, and their companies as well, would be just as well off, or better off, with things as they are right now.

All of this puts Kennedy's program down for a rough ride through Congress, and probably a slow one. Hearings by the House Ways & Means Committee will start after this week's scheduled windup of a report on bills to finance highways.

• **Limited Objectives**—Kennedy's package is—despite its wide impact—a limited one, by his lights. It is specifically put together to accomplish limited objectives—and is not to be confused with the comprehensive tax reform bill that he has the Treasury studying for submission to Congress next year.

Kennedy's tax package (table) measures up to this:

- A brand-new (to the U.S.) tax credit for businesses based on their new capital spending for plant and equipment.

- A bundle of revenue-raising provisions designed to pull in an additional \$1.7-billion, making up the estimated loss to the Treasury.

- A group of tax revisions on overseas operations of U.S. companies that would cut off use of tax havens for some companies and step up U.S. income tax paid on earnings of overseas subsidiaries.

Kennedy sees all this as a balanced package designed to advance a few special purposes: the overseas tax amendments to help with our balance of payments and our aid to underdeveloped countries, the tax incentive for capital spending to boost our productivity and ability to compete, the new tax pro-

### To encourage capital spending, \$1.7-billion in special tax incentives:

- Companies, partnerships, and individuals would be allowed to subtract from their tax liability a total of the following credits:
  - (1) 10% of the first \$5,000 of spending on new plant and equipment, without regard to normal depreciation allowances.
  - (2) 6% of plant and equipment spending in excess of 50% of the depreciation allowance and not more than 100% of it.
  - (3) 15% of any spending beyond that.
- Maximum reduction in tax liability would be 30%. Expenditures would qualify if made after Jan. 1, 1961, for new equipment (not second-hand) that is situated in the U.S. and has a tax life of at least six years.
- Specifically excluded: public utility investment and residential construction, including apartments and hotels.

### To increase revenue to offset cost of capital spending incentives:

- Apply 20% withholding rate on corporate dividends and "taxable investment-type interest," effective Jan. 1, 1962. Estimated gain in revenue: \$600-million a year.
- Repeal deduction from income of the first \$50 of dividends from domestic corporations and the 4% credit against tax on dividend income over \$50. Estimated gain in revenue: \$450-million a year.
- Repeal tax code provisions that allow deductions for business entertainment "of a personal nature" and maintenance of entertainment facilities (yachts, hunting lodges). Estimated gain: \$250-million.
- Permit capital gains treatment on sales of depreciable property only on excess of sales price over original cost, rather than over depreciated cost. Estimated gain: \$200-million a year.
- Clarify law on cooperatives so all earnings are taxable either to the co-op or its patrons. No estimate of revenue gain.

### To tax overseas earnings of U.S. companies:

- Eliminate tax deferral privileges in developed countries and "tax haven" treatment in all countries; this would be done in two steps. Result: Each year, U.S. companies would be taxed on their current share of undistributed profits earned that year by overseas subsidiaries. Tax deferral privileges would continue for investment in underdeveloped ("developing") countries.
- Eliminate tax deferral privileges in all countries for sales, licensing, insurance, and other non-manufacturing operations.
- Tax the income from foreign investment companies "substantially the same way" as income from domestic investment companies.
- End the tax exemption on earned income of U.S. citizens who live in developed countries and the \$20,000 exemption for those who remain abroad in developed countries for 17 out of 18 months.
- End the exclusion of foreign real property from estate taxes.

### Other proposals:

- Extend present 52% corporate rate and excises that would either expire or decline: alcoholic beverages, cigarettes, autos and their parts and accessories, passenger fares, telephone service.
- Apply to jet fuel the same 2¢-a-gal. tax that's levied on aviation gasoline, through June 30, 1962; boost the tax ½¢ per gal. each year until revenue is sufficient to cover civil airways costs.

*. . . compared to more liberal depreciation allowances,*  
**Kennedy says he finds the investment credit superior for a number of reasons . . .**

(STORY on page 25)

cedure measures to "eliminate economic injustice within our society" and to maintain the level of federal revenues.

While the message didn't specify, officials say that they expect the new tax credit to stimulate an additional \$2-billion to \$3-billion of plant and equipment purchases during the first year it is effective—over and above what would otherwise be spent. They also estimate that half a million jobs would be created.

### I. The Tax Incentive

The heart of this week's proposal is the tax benefit that would cut the cost of purchases of new plant and equipment—for businesses that qualify.

Here's how these benefits would work—always assuming that the company has a big enough tax bill from which to deduct the credits, and assuming that it otherwise qualifies.

- **Small Business**—The owner of, say, a restaurant or a garage spends \$4,000 on new equipment. He could deduct 10% of this—or \$400—from the tax bill he would otherwise pay. Thus, he would be out of pocket only \$3,600 for his new equipment. This assumes that his tax bill before taking his \$400 credit is \$1,334 or more—there's a 30% maximum on reduction of tax liability. If his tax bill were only \$1,000, he would be able to subtract only \$300.

Take a larger company that spends \$50,000 on new plant or equipment and has a depreciation allowance of \$60,000 for the year. It would first deduct \$500, the straight 10% credit on its first \$5,000 of spending. Then it could deduct 6% of \$20,000, the amount by which \$50,000 exceeds 50% of its depreciation allowance; that's another \$1,200, for a total of \$1,700 off its tax bill.

- **Big Business**—Take a third, still larger company that spends \$2-million on new plant and equipment and has depreciation allowances of \$1-million. Like the smaller company, it could take \$500 (10% of \$5,000). Then it would be entitled to the 6% credit on \$500,000 (the difference between 50% and 100% of its depreciation allowance); that comes to another \$30,000. Then it would be entitled to the maximum credit of 15% on the remaining \$1-million—since its spending exceeds its depreciation allowance by \$1-million. This would amount to \$150,000 credit.

Thus, this company would add up credits of \$500, \$30,000, and \$150,000

—a total of \$180,500 that it could subtract from its final tax bill (again, only if it didn't thereby reduce its tax liability by more than 30%).

### II. Why It Was Chosen

In his message, Kennedy compares the tax credit method with alternative methods and finds it best suited to his purpose in spite of the objections many businessmen have raised.

For example, a cut in the corporate tax rate, he says, would not be so broadly distributed. He reasons that the proposed credit applies to individuals and partnerships as well as to corporations. Besides, a corporate rate reduction would give less stimulus to capital spending.

"In short," Kennedy's message says, "Whereas the credit will have the advantage of focusing on the profitability of new investment, much of the revenue loss under a general corporate rate reduction would have been diverted into raising the profitability of old investment."

A tax credit across the board on all new investment would cost the Treasury the same \$1.7-billion—without giving the same inducement to "new investment which would not otherwise be undertaken."

- **Depreciation Rules**—Compared to the suggested larger and more liberal depreciation allowances, Kennedy says he finds the investment credit "superior, in my view, for a number of reasons." Consideration of faster depreciation, he says, has a rightful place of its own, apart from considerations of stimulating investment; adoption of the tax credit would in no way rule out later liberalization of depreciation allowances.

Secondly, says Kennedy, depreciation on a company's books tends to raise current costs, thus to act as a deterrent to price reduction—the tax credit "would not share these defects."

Finally, says Kennedy, it is "clear" that the tax credit induces more new investment for the same amount of revenue loss.

- **Reaction**—The tax credit proposal is a clear victory for Asst. Secy. of the Treasury Stanley S. Surrey, who first suggested the idea to the President-elect in a report on tax policy before inauguration.

Surrey's tax ideas got him in hot water with the Senate Finance Committee, which held up his confirmation until Secy. of the Treasury Douglas

Dillon wrote Finance Committee Chmn. Harry F. Byrd (D-Va.) that Surrey would be only one of many advisers on tax policy and that the President would make the final decisions on matters of such overriding importance.

Attacks on the tax credit idea are coming from all sides. For instance, Sen. George Smathers (D-Fla.) expressed what many critics feel when he said the program is sure to be attacked as a "giveaway." United Auto Workers Pres. Walter Reuther is sure to blast the idea in some such terms. He has already testified that what the country needs is not any tax benefit for business expansion but a tax break for consumers—so as to stimulate consumption.

Certainly, Reuther and his forces will be trying to tack an amendment giving individuals a tax break on any bill giving tax credit for business.

### III. Business Overseas

Kennedy's proposals strike sharply at what he feels are tax abuses by individuals and companies who have learned to use the tax laws legally "in order to reduce sharply or eliminate completely their tax liabilities both at home and abroad."

- **Tax Treatment**—Under rules now in effect, earnings of foreign operations of U.S. companies are not taxable until they are remitted to U.S. soil. This permits them to be plowed back into expansion of foreign operations. Such businesses can be expected to complain bitterly that restriction of this use of earnings could cripple their overseas operations.

Critics of the present system contend, however, that the overseas tax provisions were voted when the U.S. was trying to stimulate postwar recovery of allied industrial nations and that they are now backfiring against the U.S. They say huge sums are retained in such countries as Germany and Japan by subsidiaries of U.S. corporations, thus expanding the output of goods that compete with U.S. products both in the U.S. and in world markets.

Moreover, they say, because tax laws in many such countries are much more advantageous to investment, a growing percentage of total U.S. investment in new plant and equipment is going into foreign subsidiaries rather than facilities back home. This amounts, they argue, to something of an interest-free loan from the U.S. Treasury, and they want it stopped. So, now, does Kennedy.

Regarding use of tax havens by companies other than manufacturers, Kennedy says he wants tax deferral privileges eliminated entirely for "those forms of activity such as trading, licensing, insurance, and others."

# What the U.S. Risks in Cuba

● Whether the anti-Castro rebels win or lose, the U.S. is likely to be condemned for its role in the rebellion.

● Some U.S. officials believe a rebel defeat would be a disaster for the U.S.

● It could seriously weaken the U.S. world position while Russia's hand would be strengthened.

This week's rebel attack against Fidel Castro's Communist-controlled regime in Cuba is giving Pres. Kennedy his most severe test by far in handling this country's international affairs. The outcome is bound to have a serious effect on the course of East-West relations, on our position in Latin America, and on Kennedy's own political standing at home.

It was not clear at midweek which way the battle was going in Cuba. There were reports that the rebel invaders were in deep trouble, if in fact they had not been routed. But Washington refused to comment on these reports or to indicate what the U.S. would do if the rebels faced defeat.

• **Unfavorable Reaction**—The U.S. itself was in trouble politically. Washington is being held responsible around the world and by most delegations at the United Nations for the Cuban insurrection. Despite Kennedy's efforts to depict it as a Cuban affair and despite his assurances that U.S. armed forces could not intervene, only Britain, Canada, and Argentina had come openly to our defense at midweek.

The scale of the landings of rebel exiles in Cuba left no doubt that the rebels were receiving substantial American assistance. And, privately, U.S. officials made no attempt to deny that the U.S. was backing the rebellion with all means short of direct military help.

• **U.S.-Soviet Interchange**—Soviet Premier Nikita Khrushchev moved fast to try to pin the label of aggressor on the United States. In a stiff message to Kennedy on Monday, Apr. 17, he called on the President to halt the "aggression" in Cuba. He pledged all necessary Soviet support to Castro and warned that the Cuban war could spread and produce a military catastrophe.

Kennedy shot back a warning that the United States would not tolerate any Soviet military intervention in Cuba and that Soviet attempts to use the Cuban crisis as a pretext for making trouble elsewhere in the world could have dangerous consequences.

U.S. officials were more concerned, however, with the international politi-

cal consequences of the U.S. involvement in the Cuban rebellion than they were about direct Soviet action. It seemed that no matter what happened now, we would get a black eye.

• **Activity at U.N.**—Leftwing protest demonstrations against U.S. support for the Cuban rebels were exploding all over the world. In the U.N., sympathy was building up for a Mexican resolution calling on the U.S. to withdraw support from the rebels; many delegates privately drew comparisons with the Suez crisis of 1956. Although a majority of U.N. members were reluctant to commit themselves to the Mexican resolution as long as they could avoid it, some Latin American and West European representatives couldn't promise what their stand would be if the Cuban fighting dragged on.

Cuba's Raul Roa not only has the enthusiastic backing of the Soviet bloc, but the sympathy of most Afro-Asian nations. At the same time, the Inter American System came under severe strain, if not close to tatters.

As international tension mounted, it was clear that the course of the fighting in Cuba could determine whether the U.S. scored a victory or suffered a serious defeat.

• **Consequences of Defeat**—One official summed up the consequences of a rebel defeat this way at midweek:

"It would be nothing less than a disaster for the U.S. Khrushchev then could call us not only wicked but weak. And the latter charge would really hurt right around the world."

Faced with this grim possibility, some high officials were telling Kennedy that he could not afford to let the rebels be wiped out, even if the only way to save them was direct U.S. military intervention.

• **Benefits of Victory**—A quick victory over Castro, these U.S. officials believe, would greatly strengthen the U.S. position in Latin America and the world and strengthen the Administration politically at home. It would demonstrate that Khrushchev could not always protect his proteges in the free world, make other governments that might be

tempted to accept Soviet support more wary. It would stamp out the major source of Communist influence in the Western Hemisphere, strengthen the hands of democratic forces in Latin America.

To be sure, U.S. intervention would create a storm in the U.N. and throughout Latin America. But most U.S. officials believe that—except from the Communist countries—the criticism would die down quickly if a democratic and progressive government took over in Havana.

• **If Castro Wins**—The U.S. inevitably would get the worst of both worlds if the Cuban rebels should be defeated. The U.S. political and even moral influence in international affairs would be weakened, American protests against Soviet intervention in Laos and the Congo might well be less convincing to neutrally minded governments.

Castro's hold over Cuba and his influence in Latin America, of course, would be greatly strengthened. If he crushes the rebels now that they have come out into the open, another attempt at revolution virtually would be ruled out for the foreseeable future.

Khrushchev's stock too inevitably would rise in Latin America and elsewhere. He almost certainly would boast that his vague threats of military retaliation have scared the U.S. out of coming to the rebels' aid.

• **U.S. Caution**—At midweek, Kennedy still seemed determined to keep U.S. involvement in Cuba to an absolute minimum and to wait on events before making up his mind on what further support, if any, to give the rebels.

Any direct Soviet military intervention in Cuba would bring the U.S. in. The U.S. also has left no doubts that it would defend the Guantanamo base against any Cuban attack and this could lead to wider U.S. military action against Castro. Secy. of State Dean Rusk this week also pointedly declined to say what the U.S. would do if the lives of U.S. citizens in Cuba were endangered.

The hope in Washington at midweek, of course, was that the rebels still would triumph on their own. But reports of Soviet-built MiG fighters and tanks in action were ominous. The fact that neither the rebels nor Castro were claiming any important victories indicated that the fighting probably was touch and go. Some observers felt that time probably was working for Castro.

• **Soviet Motives**—While the fate of Cuba—and of U.S. standing in the world—hung in the balance, Washington officials were assessing carefully

the possible Soviet reactions to the crisis. There was general agreement that the Soviets almost certainly would not risk military intervention in Cuba itself.

But the conviction was growing in Washington that Khrushchev was deliberately stalling on a cease-fire in Laos in order to put pressure on the U.S. to go slow in Cuba. There also was some concern in Washington that Khrushchev might take advantage of U.S. preoccupation with Cuba to step up assistance to the Laotian rebels, perhaps trying to use U.S. support of the Cuban rebellion as justification. In anticipation of this, Washington announced on Wednesday, Apr. 19, that it is sending up to 300 U.S. military advisers into the combat area of Laos.

• **Cold War Implications**—At the very least, the Cuban crisis promises rough going in the cold war in the period ahead. Kennedy's hopes of lowering East-West tensions and making a start on disarmament are fading.

• **Pressure of Time**—As the ominous possibilities of the Cuban rebellion become clearer, U.S. officials were beginning to indicate privately that Kennedy's hand was forced in the timing of his decision to support the insurrection. The chronicle of how the U.S. got so deeply involved apparently runs about like this:

About a month ago, the Cuban rebel leaders became convinced that they either had to launch an all-out drive against Castro soon or not at all. On the one hand, Castro's military strength was growing fast with Soviet bloc help, and the point beyond which he would be virtually invulnerable to revolutionary attack seemed to be approaching. On the other hand, the Cuban revolutionary movement had developed so much momentum that its leaders felt that the point had been reached where it either had to go for broke or be postponed indefinitely.

The rebel leaders also apparently were convinced that they could topple Castro with covert assistance from the U.S. Faced with an apparent now-or-never choice, Kennedy decided to gamble on their conviction. At midweek, that gamble looked increasingly risky and our problems in Latin America increasingly difficult.

• **Congressional Support**—To strengthen the President's hand, the House Appropriations Subcommittee this week approved every cent of the \$600-million special appropriation for aid to Latin America. This was an almost unprecedented action for the committee, which in the past has been hostile to foreign aid and has led every fight to cut it.

If the Cuban rebellion should founder, though, sharp opposition criticism of the President's course of action is almost inevitable.



INVESTIGATING group headed by Sen. Estes Kefauver hears testimony on bid-rigging and price-fixing.

## New Probe Digs Into Price-Fixing

Electrical equipment manufacturing executives this week began testifying before the Senate Antitrust & Monopoly Subcommittee about the price-fixing conspiracies that resulted in the sensational Philadelphia antitrust cases (BW-Mar. 4 '61, p20). Their testimony revealed some interesting sidelights about meetings among competitors ("They usually broke up in discord," said one participant) but contained little information about price-fixing that had not already been disclosed in Justice Dept. indictments of 29 companies in the industry.

• **Following Careful Path**—The subcommittee's chairman, Sen. Estes Kefauver (D-Tenn.), apparently means to get onto the public record much of the material that now exists only in the closed grand jury records. (Because the companies entered pleas of guilty or nolo contendere, there was no testimony at the trials.) But Kefauver followed a careful path in his hearings to avoid soliciting information about the meetings that would influence pending or planned damage claims against the participants. Rarely did the lawyers who were representing the witnesses interject with objections to questions that were posed by the subcommittee.

• **New Move**—While Kefauver queried the witnesses in Washington, a motion in Federal District Court in Philadel-

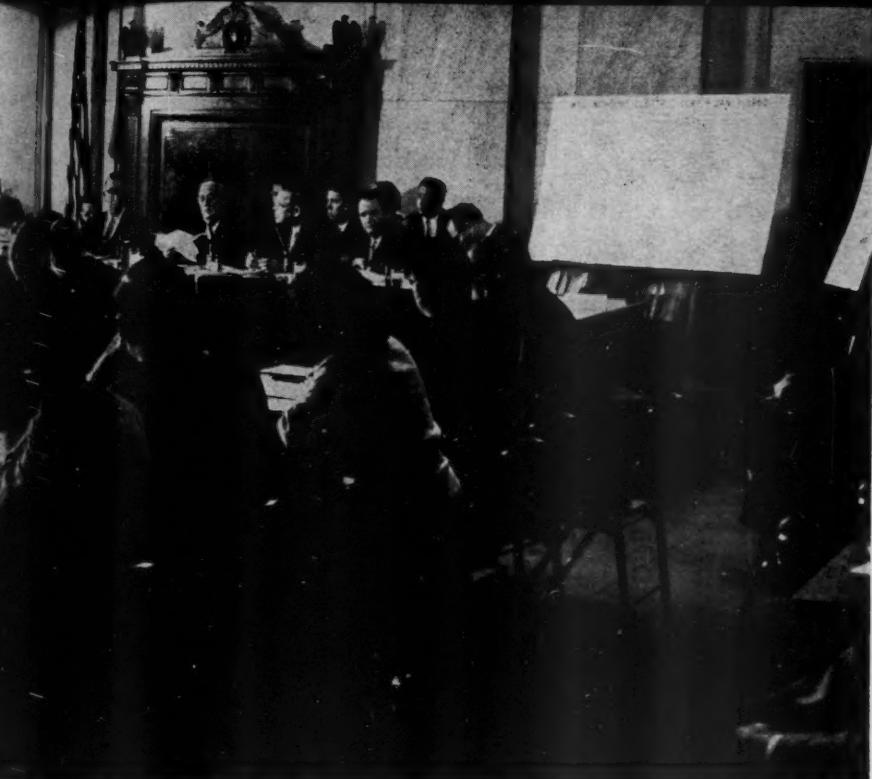
phia was under consideration by Judge J. Cullen Ganey that could influence the course of future hearings by the subcommittee—and customers' damage claims against the companies. This is a move by the State of California to allow the Justice Dept. to release lists of witnesses who testified before grand juries and documents presented during the inquiry.

If the court releases this information, Kefauver will try to get it, too. He has already written to Judge Ganey, telling him of his interest in obtaining the material.

• **Picture of Discord**—Growing out of testimony by department-level managers from General Electric Co., Westinghouse Electric Corp., Ingersoll-Rand Co., and the Elliott Co. Div. of Carrier Corp., who attended meetings with their competitors to talk about prices and sharing the market, was a picture of wrangling over contracts. "Recriminations," sometimes-futile efforts to hold prices and an occasional agreement on which bidders would get a chance to submit a low bid studded the conferences.

"What turn would the discussions take?" Kefauver asked a witness. "Would a man say, 'I haven't had a contract in some time and I feel I should get this one.'?"

"You sound like you'd been there, Senator," replied Donald R. Jenkins,



price-fixing activities of electrical equipment manufacturers.

## Price-Fixing Cases

sales manager of medium turbines for Westinghouse.

• **Behind the Hearings**—What's in Kefauver's mind? Every Congressional inquiry must have, somewhere along the line, a legislative purpose, and one of Kefauver's aims is to find out whether he thinks the antitrust laws need amending.

He also believes that, since the government's complaints against companies never went to trial, there should be additional public disclosure of how the conspiracies worked. And he wants to find out if top executives of the companies, so far absolved of responsibility, actually were involved in price-fixing activities.

• **Customers' Claims**—But beyond this are other factors. One involves customers' claims against the companies that they suffered monetary loss as a result of the admitted conspiracies. The federal government already has filed seven such claims; states, cities, and other public power equipment buyers are considering them.

While lawyers for the electrical manufacturers are hovering at the hearings to make sure that no testimony comes up that may help customers in their damage claims, it seems likely that every little bit of information will help, once these claims get before the courts. And the type of detail about the inner workings of the meetings that is being

discussed is probably in this category.

• **A Broader Question**—Kefauver's own interest in the electrical equipment industry is an old one. In 1959, his subcommittee held an inquiry into identical bidding on TVA contracts that helped kick off the government's charges against the industry. All these inquiries, including the present one, are part of a broader question of administered prices Kefauver has been pursuing for years.

Kefauver believes that such phenomena as identical bids on sealed bid contracts, and so-called administered prices in basic industries such as steel, while not illegal in themselves, are symptoms of some basic sicknesses in the nation's pricing structure.

Already, as a result of hearings last year on drug prices, Kefauver has introduced legislation that would make broad changes in the marketing and manufacturing of drugs. If he has in mind similar legislation aiming to bring industrial prices under more government control, he hasn't said anything about it.

• **More Subpoenas**—Kefauver said subpoenas have gone out to more company officials—higher up in the corporate structure than this week's witnesses and presumably some of the men indicted by the government—to appear next week. "I think it's important to find where the responsibility lies," he said.

## Big Gas Sale

Humble Oil and Lehman Bros. set up new pipeline company to sell huge volume to Columbia Gas System.

Over the 25-year life of a contract, 6.2-trillion cu. ft. of natural gas will flow to the Northeast and Midwest from Humble Oil & Refining Co.'s vast reserves in the area of the King Ranch, southwest of Corpus Christi, Tex. With gas currently selling at around 20¢ per 1,000 cu. ft., the deal, over its contract span, is in the billion-dollar class.

Humble is joining with Lehman Bros., New York investment firm, in setting up a new interstate pipeline company, Monterey Gas Transmission Co. As soon as clearance is obtained from the Securities & Exchange Commission and a certificate of necessity from the Federal Power Commission, financing will be arranged through institutional loans and a public offering of securities.

President of the new company is John R. McMillan, who had been executive vice-president of Monterey Oil Co. before its merger into Humble in January. Donlin P. Murdy, former vice-president of the same company, will be vice-president and treasurer. They will also serve as directors, along with H. W. Haight, Humble's executive vice-president, and Frederick L. Ehrman, Lehman Bros. partner.

• **Chain of Events**—Letters of intent spell out the plan, pending the legal formalities. Monterey is to buy the gas, in place, from Humble—3.5-trillion cu. ft. in the first phase of the contract and 2.7-trillion cu. ft. later. It will also buy Humble's 30-in. transmission line from King Ranch to a point near Houston, 238 mi. away, and will build a 30-in. line for 216 mi. from that point to Alexandria, La.

At Alexandria, United Fuel Gas Co., a wholly owned subsidiary of Columbia Gas System, Inc., will buy the gas, ultimately at the rate of more than 700-million cu. ft. a day, for marketing in Columbia's territory. This market area includes Ohio, Pennsylvania, West Virginia, Kentucky, Virginia, Maryland, District of Columbia, and New York.

Deliveries are scheduled to start late next year. At no point in the chain of sales is any price specified by the participating companies.

• **Earlier Deal**—From the King Ranch fields, Humble previously committed 1.9-trillion cu. ft. of gas to Tennessee Gas Transmission Co.'s venture with Pemex, the nationalized Mexican company, for delivery via Mexico to West Coast markets.

**"Competition means we can't raise prices, so we have to depend on increased sales volume . . ."**

**Manufacturer of Oil and Gas Equipment**

**"The only way to improve earnings is to hold down costs and that is what we have been trying to do . . ."**

**Hardware Maker**

**"We've made economies. If sales pick up, we will do all right . . ."**

**Railroad Executive**

**"March showed an improvement. If it continues, 1961 will be our best year ever . . ."**

**Sporting Goods Manufacturer**

**"The cost-price squeeze is still hurting, but it should let up now that sales are improving."**

**Appliance Manufacturer**

**"We've cut our costs to the bone—except for spending that will reduce our unit costs . . ."**

**Capital Goods Manufacturer**

**"We hope to be back in the black from the second quarter on, but only if the economy shows some steam . . ."**

**Metals Maker**

## Profits Still Slide but Hope Rises

Corporate profits, which have been in a downtrend since the first quarter of 1960, continued falling in 1961's first quarter. But most corporate executives—as the typical opinions above indicate—think the cloudy profit picture has a silver lining. They think that the first quarter will mark the low point for the year, with the next nine months showing a gradual rise in earnings.

This is the main conclusion emerging from a BUSINESS WEEK survey of profit prospects made this week. The results are pretty much in line with the normal pattern at this stage of the business cycle. With the economy just starting to turn up, most companies are still showing the effect of falling sales and competitive pricing. Profits—and profit margins—have been cut, and even where sales have been higher, profits have generally been lower.

Some companies have managed to buck the trend and improve their profits. Food chains, amusement companies, office equipment manufacturers are among them. But these are a distinct minority. The downturn in earnings has even affected some of Wall Street's most favored growth companies. Polaroid Corp., for example, registered sales of \$14-million in the first quarter against \$20.2-million in 1960, while earnings plummeted to \$200,000 from \$2.3-million.

• **Rising Hopes**—But though lower earnings seem to be the order of the day, most corporate executives are in a much more optimistic mood than they

were a few months back. A great many are bolstered by results for March, when sales—and profits—showed a distinct improvement. In fact, the consensus is that 1961 will be a better year for profits than 1960, and may come close to the record of \$46.6-billion pre-tax earnings achieved in 1959.

If this happens, it would reverse the 1960 pattern. Last year profits hit a pre-tax annual rate of \$48-billion in the first quarter—a rate second only to the record annual rate of \$50.4-billion registered in the second quarter of 1959. But then the slide began in the second quarter, when the annual rate dropped to \$45.3-billion. Profits kept on sliding in the third quarter, with a rate of \$42.2-billion. The low point for 1960 was in the fourth quarter, when pre-tax profits dropped to an estimated \$40-billion rate.

Washington officials say it is still too early to make an accurate estimate of 1961's first-quarter profits. But most are guessing that they fell below 1960's fourth quarter. This would put pre-tax profits at somewhere between \$38-billion and \$40-billion—a figure that would be the lowest quarterly rate since the 1958 recession.

• **Question Marks**—Normally, profits shrink during a recession and climb fast when recovery sets in. This is the general expectation right now. Corporations are counting on a strong upturn in sales as well as an improvement in profit margins. This combination should bring higher earnings, although just

how high depends in large part on whether companies will be able to control their costs.

This is one of the question marks. In both 1953-54 and 1957-58, companies were able to push through economies that produced an immediate rise in profit margins as soon as business turned up. Many companies are hoping for a repeat performance now. They feel that the economies made during the last year will begin to pay off as soon as sales volume starts increasing.

But some corporations are worried that profit margins won't show the usual widening. They claim that it will be more difficult to raise prices, because of competition, both foreign and domestic, and because of excess capacity. The only way to increase profit margins, they claim, is to continue their economizing measures.

This is not going to be easy. In most corporations, a drop in sales is usually the signal for belt tightening. But when sales rise, companies tend to become more relaxed, indulging in all kinds of extras. Given the severe competitive fight for markets, profit margins may not show their usual improvement unless companies continue to keep a tight rein on costs.

• **Key to an Uptum**—To most companies, though, sales are the key, and there is no doubt that sales have turned up. J. W. Keener, president of B. F. Goodrich Co., observed this week that "the bottom of the recession" for his company and the rubber industry in

general was in January and February, and flatly predicted an uptrend through the rest of the year.

Many companies are hoping that the improvement in economic activity will give them a boost. One major aluminum producer, for example, reported "poor" profits and profit margins in the first quarter, due mainly to "terrific price competition." Its officials are hoping for an improvement in demand—and in prices. Similarly, Robertshaw-Fulton Controls Co., while experiencing a sales and profits decline in the first quarter, said it had an upturn in sales and profits in March.

Some companies report that the economies they have made are already taking effect. Scott Paper Co., for example, showed a slight drop in sales in the first quarter, but earnings went up a little. Union Tank Car Co. also had a slide in sales and a rise in earnings. It has dropped some of its unprofitable and less profitable lines—a move that cut into sales but meant a boost in earnings. A big plastic outfit says it was able to increase profits, despite severe price competition, by concentrating on a few lines.

- **Spending to Earn**—Although earnings and sales slipped through most of 1960, few companies cut back on their research expenditures, or on spending that promises to cut unit costs of production. According to the head of one appliance company, "Our profits are down because we spent more on cost-cutting machinery."

A lot of companies are in the same boat. One auto company, for example, whose earnings took a beating in the first quarter, feels confident that it will do better as production picks up. It admits to feeling a pinch on its profits, but says that its cost-cutting program will mean wider profit margins once sales volume increases.

- **Doubts**—But though there's a good deal of optimism, some skeptics argue that there won't be any real improvement in profit margins. A New York textile manufacturer says that foreign competition means continued pressure on prices. He does not expect that increased demand will permit a rise in prices, because "foreign sources will just lower their prices some more."

- **Prospects**—Nevertheless, a rise in sales volume will almost certainly mean higher profits. And while many companies cannot expect to get an added boost from higher prices, last year's cost-cutting is making itself felt.

As the head of one capital equipment maker summed it up: "Any company that pays attention to cost and is making a real sales effort should do well. We're now getting orders for machinery that will increase efficiency, and we are practicing what we preach by installing a lot of cost-saving stuff ourselves."

## New Twist in U.S. Steelmaking

**Sharon Steel will build a new plant using a Swedish process for oxygen steelmaking, which promises greater flexibility and economy over conventional oxygen method.**

Oxygen steelmaking, still the hottest development in an industry whose technology is evolving rapidly in many areas, took a new direction in the U.S. this week. For the first time in this hemisphere, a steelmaker adopted an oxygen furnace other than the LD, or basic oxygen converter.

The steelmaker is Sharon Steel Corp., 13th ranking steel company in the U.S. The process is Stora Kaldo, developed by Sweden's Stora Kopparbergs and brought to the U.S. two years ago by Dravo Corp. (BW—May 16'59,p102).

- **Tilted Furnace**—In the Kaldo cycle, a jet of high-purity oxygen is blown into a rotating drum furnace tilted 17 degrees from horizontal. In performance, it differs in several ways from the more conventional LD converter—a non-rotating, erect vessel into which oxygen is blown.

For several years, the LD process, an Austrian development first employed in the U.S. by McLouth Steel Corp., has been the fastest-growing steelmaking technique. Two huge LD shops, one by Jones & Laughlin Steel Corp. at Cleveland, the other by National Steel Corp.'s Great Lakes Div. at Detroit, are being built now. A third, by Colorado Fuel & Iron Corp., opens next month at Pueblo, Colo.

Even with its fast growth, however, the basic oxygen process accounted for only a small part of total steel tonnage in 1960—3.3-million net tons out of 99.3-million.

- **Greater Flexibility**—Foremost among the advantages claimed for the Kaldo process over LD is greater flexibility in the ratio of scrap to blast furnace iron in the charge. Scrap must be used judiciously, since it cools the charge in an oxygen vessel. The LD method ordinarily uses about 30% scrap, while Kaldo can accommodate as much as 50% scrap, Dravo insists.

Kaldo's ratio of scrap to blast furnace iron is approximately the same as the 50-50 split for which most U.S. steelmakers are equipped. However, the LD process, with its 30-70 ratio, would raise the proportion of hot iron and, if widely used, could tend to pinch producers on blast furnace capacity. This is about the most expensive thing a steelman can buy these days.

At the moment, of course, scrap is fairly inexpensive, steel demand is low, and blast furnace technology is raising the output of existing furnaces handsomely. So Kaldo's ability to melt more

scrap isn't such an advantage. But if steel operations get up to 75% or more of capacity, it would become much more of an asset. And it's at the 75% level that steelmen figure to operate fairly regularly for a long time to come.

- **High Yield**—Another area where Kaldo departs from LD, and, indeed, any steelmaking cycle, is in yield—the amount of steel produced as a percent of the metallics charged. Kaldo claims a 90%-91% yield, several points above what steelmakers ordinarily anticipate.

A third difference is heat economy. Kaldo burns the CO it generates to CO<sub>2</sub>, a major factor in raising the amount of cold scrap it can handle. This also cuts down markedly on the gas volume that must be cleaned.

- **Sharon Plans**—The Sharon plant will provide 1-million annual tons capacity at a cost of \$17.5-million. That's an attractive capital cost per ton—particularly when you figure that the capacity could be doubled at an exceedingly low additional investment.

The Sharon shop is expected to produce steel at a rate of 114 tons per hour. This is competitive with what existing LD shops are doing, although new LD plants may double this rate. Nevertheless, the 114-ton rate is almost three times what a good open-hearth can turn out.

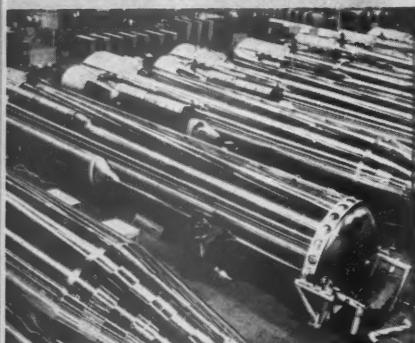
Dravo also will build a 370-ton-per-day oxygen plant at Sharon to supply the Kaldo plant. It will be owned and operated by National Cylinder Gas Div. of Chemetron Corp.

- **Allegheny Test**—Simultaneously with Sharon's decision to adopt the Kaldo cycle, Allegheny Ludlum Steel Corp. announced the results of a test program that could have broad implications for steelmakers without their own blast furnaces for smelting iron.

Allegheny leased a German producer's hot-blast cupolas to test 1,000 metric tons of direct-reduced iron briquettes turned out in this country by the R-N process, owned jointly by Republic Steel Corp. and National Lead Co. Allegheny said the test established the hot-blast cupola as a flexible, efficient method of preparing pre-reduced charge material for a melting furnace.

The significance of this is that a non-integrated steel producer, instead of relying mostly on scrap as his source of iron, could produce direct-reduced iron and put it through a hot-blast cupola. The result could be important speedups in production.

## U.S. Timetable for Man in Space

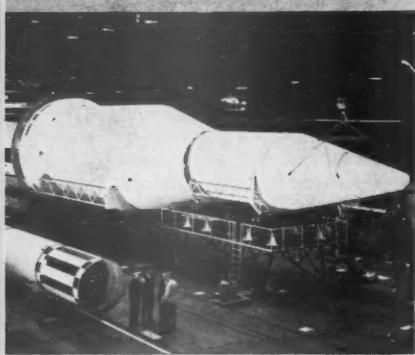


### CENTAUR (NASA)

First flight tests due in late '61  
Expected to be operational by mid-'63

Will be able to put a 4-ton payload into 300-mile earth orbit, over a 1-ton payload to the vicinity of moon, Mars, or Venus. But not currently planned for manned space flight

First stage: a converted Atlas ICBM



### SATURN

(NASA)

First flight testing of C-1 version due in late '61

Expected to be operational by mid-'63

Will be able to put a 10-ton payload into 300-mile earth orbit, a 3-ton payload to vicinity of moon, Mars, or Venus

First flight testing of C-2 version due in '64-'65

C-2 Version expected to be operational by '66-'67

Will be able to put 22½-ton payload into 300-mile earth orbit, a 6-7-ton payload to vicinity of moon, Mars, or Venus

First stage: a cluster of improved Jupiters (IRBMs) wrapped around a Redstone rocket

### DYNA-SOAR

(AIR FORCE)

First glider flights scheduled for '63  
Strictly a research vehicle; therefore no operational date listed

Will boost-glide one man and his space craft into low earth orbits

First stage: a converted Titan II ICBM; use of Saturn booster being considered

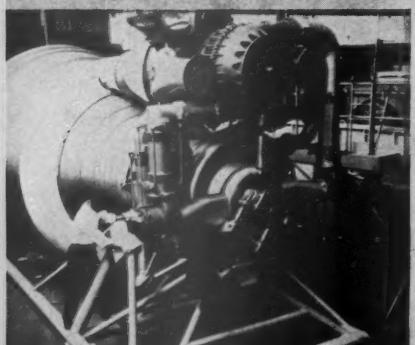
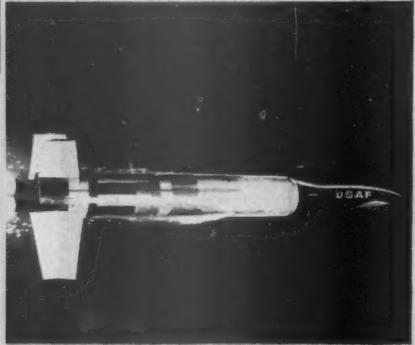
### NOVA

(NASA)

First flight tests in '67-'68  
Expected to be operational by '70

Will be able to put 145-ton payload into 300-mile earth orbit, a 50-ton payload in vicinity of moon, Mars, or Venus

First stage: cluster of F-1 (1.5-million-lb.-thrust) engines



## How U.S. S...

In the first wash of reaction over the launching of a Soviet astronaut into earth orbit last week (BW-Apr. 15'61, p25), a number of things became crystal-clear:

• The U.S. public—generally—is still unaware of the short-term limitations of its manned space exploration program (illustration, left).

• There is little that the appropriation of much additional money can do now—for three or four years, at least—to speed the U.S. manned space flight program.

• Top officials in Washington will continue to refuse to be disturbed by the situation. They're reasonably satisfied with the U.S. civilian space effort and are determined to maintain a calm attitude about it—even in the face of a continuing series of Russian space spectaculars. Pres. Kennedy has ordered an immediate reassessment of the Mercury man-in-space program. But, aside from speeding Mercury up by a few months or so, this will have little effect on the over-all U.S. space effort.

• No Surprise—What Russian scientists were able to do last week came as no surprise to U.S. rocket-space specialists, either. They had long conceded the superior thrust of Soviet-liquid rockets (BW-Oct. 19'57, p66). They had watched the steady stepup in multi-ton satellite firings by the Soviet Union over the last year. And they had concluded—when a 7.1-ton Sputnik was fired into orbit last Feb. 4—that manned orbital flight was technically possible at any time.

In the three-month hiatus between the tricky Soviet space firing toward Venus on Feb. 12 (BW-Feb. 18'61, p32) and the epoch-making orbital flight of Yuri Gagarin on Apr. 12, the only real puzzlement in U.S. scientific circles concerned the delay itself. Were the Russians again waiting for a politically strategic moment to pull off the biggest space spectacular of them all? Had they run into some unexpected last-minute snags?

The fact that the U.S. was known to be on the verge of putting its own man into a ballistic flight down the Atlantic Missile Test Range (BW-Apr. 8'61, p24) made delay even less understandable. This flight now, according to NASA, will be run off sometime on or about April 27.

• Taking Their Time—Russian scientists explained to the Western press last week that they had deliberately taken their time, checking to make sure that everything, on the first manned orbital flight, would go well. They hinted, too, that they were waiting for just the proper weather conditions.

# S. Stands After Soviet Space Man

From the beginning, they report they intended to recover Gagarin after only one orbital pass around the earth. This would demand precise radio control of his capsule—control that would only be possible under the best of atmospheric conditions.

Unlike the situation that will prevail when a U.S. astronaut is sealed into position for his first orbital flight sometime late this year, Gagarin had little or nothing to do with the actual operation of his capsule. He had a number of specific chores to perform—designed to test his own capabilities and the reliability of various pieces of space equipment. But essentially, Russian scientists admit, he was put on board the capsule solely for the ride.

• **U. S. Limitations**—Such is the advantage of having a big margin of thrust in any rocket booster system. With payload weight a matter of relatively minor consideration, you can elect to run a large number of experiments and still take full public relations advantage of any given test firing.

With limited payload, it's another matter. You're forced to forego the spectaculars and go to great pains to develop miniaturized equipment so as to make every ounce of payload count.

Until 1964 or 1965—when the U.S. is expected to have rocket boosters that can put satellites of upwards of 10 tons into earth orbit—the Soviets can be expected to take full advantage of their big jump in rocket power, according to top U.S. scientists. Aleksandr Nesmeyanov, president of the Soviet Academy of Sciences, has already hinted that other Russian orbital flights can be expected this spring. And Gagarin, in the first flush of success, referred not only to a moon rocket (which the Russians have long been rumored to be preparing) but also to a two-manned orbital spacecraft that was, he said, "in an advanced developmental stage."

• **Limitations on Russians**—Over the long term, the U.S. has an impressive fleet of new space boosters under development—in contrast with what is known about Russian space booster development. The Russians, as far as U.S. sources are able to find out, have been using only a single booster (a converted ICBM called the T-3) to conduct space experiments. Admittedly, this has worked out well so far. But it may not allow so much flexibility as the U.S. expects to get out of its various space booster systems by 1965.

Soon, too, the Russians may be forced to face some of the same economic considerations that the U.S. has encountered in running its own civilian space program. Each time a large space

rocket is test-fired from Cape Canaveral or Vandenberg Air Force Base in California, several million dollars go up in smoke. Cost, many experts are predicting, may turn out to be the chief factor that holds an all-out Soviet space program in line.

## I. Rockets vs. Atoms

That Russia—and not the U.S.—happens to have large rocket boosters available for space duty now has a logical explanation. The Soviets came out of World War II sold on the military value of the V-2 rocket. They started in on an intensive rocket development program—based on highly developed German design concepts. Their aim was to produce a multi-ton carrier rocket—for their atomic bomb. In contrast, U.S. R&D pointed in quite another direction—toward development of the "ultimate" weapon—the vaunted hydrogen bomb—and faster and higher-flying planes to carry it to its target.

• **Nuclear Yardstick**—Not until U.S. scientists were able to reduce the size and weight of a nuclear warhead materially did U.S. interest turn back over again to the rocket. The weight of a nuclear payload then became the magic number around which U.S. intermediate range ballistic missiles (Jupiter, Thor, and Polaris) were designed.

The same payload factor was written into the design specifications for the intercontinental ballistic missiles, Atlas and Titan.

In retrospect, scientists themselves find it hard to question this logic.

• **Vanguard's Shortcomings**—When the first Russian Sputnik was fired on Oct. 4, 1957, there was only one example of a U.S. rocket program that had been designed strictly for space purposes. Dubbed Project Vanguard, this program had charted ambitious aims for itself (BW—Apr. 14'56, p188). But its success had been, at best, marginal. Its flops had excited much greater attention than its successes. And there was general agreement—almost everywhere—that one of its chief faults was that its design was much too complicated.

"Far better," said the critics, "if Vanguard had been designed around a military rocket design instead of trying out a whole host of new ideas on its own."

• **Civilian vs. Military**—But the White House, at least, didn't see that as the answer, either. Thus, in October of 1958, the National Aeronautics & Space Administration was created, in an effort to provide the U.S. civilian space effort with stronger central management.

There was to be, according to Pres. Eisenhower, a sharp division between the U.S. military and civilian space programs. NASA would get all the backing it needed to put the U.S. civilian space program on the road. This included transfer of Project Saturn from the Army to NASA.

In two and a half years, NASA has successfully produced the Scout (a four-stage, 150-lb. payload-capacity rocket), has nursed Saturn along in its development, and has started a number of new projects in space research on its own. It has weeded out a considerable amount of duplication in space research, and has laid out a program of development stretching well into the 1970s.

## II. Just Ahead for U.S.

This is why, according to those close to the Washington scene, Pres. Kennedy will probably order few changes in the U.S. civilian space program. In reshaping the space budget for the coming fiscal year, he did add some \$125-million to the \$1.1-billion budget submitted by Pres. Eisenhower. But this was chiefly to beef up development work on big liquid-fuel booster rockets and to put a little additional cash into the nuclear rocket development program.

• **NASA's Plans**—NASA is currently in the final stages of negotiation with United Technology Corp. (BW—Mar. 5'60, p138) to test-fire a 250,000-lb. solid-fuel rocket sometime this summer. A successful firing of this 27-ft. rocket would score a big point for United's plan for building a much larger 3-million-lb.-thrust solid-fuel space booster.

But until it gets more information about the feasibility of big solid-fueled boosters, NASA plans to move slowly. The development of a multi-million-lb. solid booster will probably cost around \$200-million. In addition to United Technology, Thiokol Chemical Corp., Aerojet-General Corp., and the Grand Central Rocket Co. all have design plans for big solid booster systems.

• **Science First**—It's completely possible, civilian space authorities admit, that the successful development of a giant solid booster system would, indeed, permit the U.S. to leapfrog past the Soviet Union in interplanetary exploration some years hence. But so far U.S. space decisions have not been made in terms of competition. The basic policy decision was to set up a steady scientific development program. And unless the Kennedy Administration decides to change that policy that's how the space program will continue.

# GM Takes Antitrust Flank Attack

- Charge of diesel locomotive monopoly, on top of bus and road machinery cases, indicates a clear pattern.
- Government, instead of head-on assault on bigness, seems to be attacking GM's size by chipping at edges.
- New charges also raise issue, in GM view, of penalizing efforts to win business by making better products.

Last week's federal grand jury indictment of General Motors Corp., accusing it of monopolizing the diesel locomotive business (BW—Apr. 15 '61, p38) pretty clearly establishes a pattern: The government's antitrust lawyers are chipping away at the periphery of the giant manufacturer's operations, rather than attacking it head-on for its bigness.

General Motors officials themselves anticipate more and more antitrust charges will come from Washington. There are already two other active antitrust suits against GM. One claims GM uses its economic muscle to dominate the bus business and force out competitors. The other—brought under the Clayton Act instead of the Sherman Act as in the bus and locomotive cases—charges that GM's acquisition of Euclid Road Machinery Co. in 1953 tended to create monopoly.

Besides all this, the grand jury that handed down the locomotive indictment is still sitting in New York; and Justice Dept. attorneys readily admit they are still quite interested in the heart of GM's operations—its automobile divisions, which hold between 45% and 50% of domestic sales of all passenger cars.

This all adds up to what could well be a government method of attacking GM's size one area at a time without making a direct frontal attempt to prove that the corporation as a whole is so big that, regardless of intent, it constitutes a monopoly. GM expects more attacks on its size, but feels sure it can prove that its size results from better products and efficiency.

• **What Is Monopoly?**—On this point, though, some testimony at the Detroit trial of the bus case worries GM executives. The government attorney argued at one point that "if it is true the defendant can produce a better product, that fact would increase monopoly power." With a better product, he went on, General Motors could set its prices independent of competition, and the ability to do that constituted monopoly power.

Such an argument disturbs GM, because in the bus suit it is the govern-

ment's contention that GM indisputably sells the overwhelming majority of intercity and city buses, and so automatically monopolizes the bus business. GM also indisputably sells the majority of diesel locomotives to the railroads. GM claims this is because it turns out a superior product. If such a claim brings it up against a charge of antitrust violation, there may be no end of trouble for GM.

## I. Penalty for Efficiency?

In the case of diesel locomotives, General Motors officials can't see what they could have done differently.

GM in 1930 bought Winton Engine Co. and Electro-Motive Corp.—which at that time did not have a product to sell—for commercial application of a new two-cycle diesel engine developed by Charles F. Kettering. Six years later, GM built a plant and began producing diesels. At that time, and even until after World War II, the three principal manufacturers of steam locomotives—then Baldwin Locomotive Works, Lima Locomotive Works, Inc., and American Locomotive Co.—all were questioning the future of diesels.

• **GM's Argument**—GM made this point in 1955, when a Senate subcommittee was looking into all of its operations. Cyrus R. Osborn, now an executive vice-president, produced a series of statements and advertisements from steam locomotive builders. He quoted a vice-president of Baldwin as saying in 1935: "The field of probable profitable operation of the diesel locomotive is pretty generally indicated at work speeds not exceeding 10 miles per hour."

Osborn quoted steam engine builders as late as 1945—three years before the last steam locomotive was built—as calling steam "still supreme." He testified that GM had 130 diesel units in service before the first competitor designed and built a diesel passenger engine in 1940. Thus, to the government claim that GM got into the business by buying Winton and Electro-Motive, GM answers that it got in through Kettering's inventiveness, and got the business be-

cause competitors were obsessed with an outmoded product.

• **Reciprocity**—The government also claims GM managed to get a lock on the business because of "reciprocity"—that it traded its enormous freight business for the purchase by the railroads of its locomotives.

Osborn took up that point, too, in his 1955 statement. He said that when GM started its Electro-Motive Div., it established three firm policies—to build a standardized product for sale to all railroads, to provide running maintenance for the railroads rather than shop maintenance, and not to tolerate "any discussion by anyone in our sales organization in connection with General Motors traffic or reciprocity arrangements."

Osborn asked how GM could sell to all railroads if it favored only some of them with its traffic.

At the 1955 hearings, the president of a steam locomotive company acknowledged that reciprocity was a way of life in the railroad business. But he said he never had a railroad president tell him the railroad bought Electro-Motive diesels because of reciprocity.

So GM insiders do not believe the government will be able to establish reciprocity charges. Every such charge that has popped up over the years has been investigated by GM, and GM people feel any reciprocity charges they are familiar with would be "laughed out of court."

• **GM's View**—Commenting on the diesel suit, GM Chmn. Frederic G. Donner said: "While a proceeding such as this will not turn back the clock to the age of the steam locomotive, it may well cause business to pause before undertaking the many risks of embarking upon a new business venture such as was the development and manufacture of the diesel electric locomotive."

This raises, in effect, the issue, as GM sees it, whether a company should be penalized for using its resources to build the best product it can, even if that product takes the biggest share of the business.

• **Market Issue**—There are practically no other intercity bus manufacturers besides GM. But there are scores of manufacturers of other types of buses. Last year, 4,162 motor coaches were produced for city and intercity use; school bus production totaled 27,894, for example. GM claims it is being tried for dominating one small segment of business that it pioneered with a superior product. The court must determine just what constitutes GM's market—all buses or just the big city and inter-city buses.

In road machinery, GM's Euclid Div.



## "Go and look behind the ranges..." *Kipling*

The sun never sets on the oil seekers—the restless men whose rock hammers, seismographs and drill bits must find the oil the world wants. Growing demand for petroleum energy sends them roving the remote areas of the globe. Here two Sinclair geologists scout above the Arctic Circle in Alaska.

Last year Sinclair subsidiaries sought new oil and gas in many places. They found new fields in the

U.S.A., Canada, and Colombia. They were encouraged in Somalia, hopeful in the Sahara. In 1960, despite import and other restrictions, Sinclair's liquid hydrocarbon output rose to the second highest point in history. Natural gas production set a record.

Petroleum continues to be our prime energy source. Through its oil seekers, *Sinclair is storing up reserves to meet the future's insatiable demand for energy.*

**AAPG—Sinclair salutes the American Association of Petroleum Geologists for furthering knowledge of the earth's history and its application to petroleum prospecting. Founded 44 years ago, the AAPG—through its 15,000 members—stimulates testing and standardization of geologic procedures and encourages education in its field, thus helping build essential energy reserves.**



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holds only about 5% of the market, but it, too, dominates the sale of a few types of machines that it pioneered.

When the Euclid indictment was handed down, Donner said GM had given full information on the proposed Euclid purchase to the Dept. of Justice in 1953, and the department had seemed to agree that it was legal.

## II. Walking on Eggs

Unfortunately for its future claim, GM did not get anything in writing from the Dept. of Justice in 1953 on that point. But then, it didn't expect to—for around GM there's a conviction that, with Congressional committees keeping the heat on all the time, no government employee would be bold enough to take such a step.

In view of the Congressional heat, General Motors officials are a little surprised themselves that the big corporation doesn't have more trouble with the government. The reason it doesn't, as they see it, is that GM insists its employees walk as if treading on eggs. GM officials are not so much afraid its employees will commit illegal acts as it is that their words or actions will be misunderstood.

• **GMAC Case**—This is the kind of thing they mean. Years ago, GM was accused of pressuring its dealers to use General Motors Acceptance Corp. During the case, a dealer testified that a GM divisional manager had told him he had better use GMAC or he would lose his franchise. The GM attorneys found that what the divisional manager really said was this: As long as the dealer was having financial trouble he had better talk to GMAC, which would send in some experts to give him better management advice; if he didn't he might have to close down and would lose his franchise.

On cross-examination, the dealer corroborated this, said he had not used GMAC, had worked out of his trouble, and still had his franchise.

• **Small Cars**—Another incident last fall illustrates the super-caution of GM legal experts. When GM prepared to introduce its Buick-Oldsmobile-Pontiac small cars, one of its attorneys started worrying about the effect on competitive small cars. He knew many B-O-P dealers had taken on Rambler and Lark franchises several years ago.

So a letter went out to all GM field sales people—with a copy to each dealer—saying the sales people's job was to sell GM small cars, but no dealer had an obligation to buy, and a dealer could handle any makes of cars he chose. Federal Bureau of Investigation agents, roaming dealerships recently for evidence of pressure to handle certain car lines and not others, found these letters in dealers' files.

# AFL-CIO Feud Gets Hotter

**A breakup of the federation may be in the making, as industrial and craft unions publicly debate their differences. Key issue is construction jobs in industrial plants.**

The tenuous five-year AFL-CIO alliance appears headed for a crack-up.

It won't come overnight. Indeed, an outright break may be avoided. But, at this point, the feuding camps that make up the merged labor federation are fighting in public over issues they once managed to keep within the family.

Instead of cooperating to calm down the disputants, George Meany and Walter P. Reuther—who joined forces in December, 1955—are on opposed sides in the fray. It will take an about-face on the part of one, or both, to keep the merger going.

• **Opposed Views**—Their differences reached a climax this week when AFL-CIO's industrial and craft unions appeared on Capitol Hill in opposition to each other for the first time. The result of this disagreement will be to kill prospects for Taft-Hartley legislation that factions once jointly supported.

At the same time, the two sides were in heated debate before the Supreme Court in a key case involving construction jobs in industrial plants. And sharp differences over organizing jurisdiction, race bias, political action, and other issues are aggravating internal problems.

These are not new troubles, but increased unemployment, the decline in union membership, and the resultant drop in the prestige of labor leaders have made them more important.

• **"The Worst Ever"**—Once the industrial unions decided, as Reuther did last week, to make their protests in public, it shook the AFL-CIO foundations. As one federation insider put it: "This is the worst ever. I don't know where we go from here."

Reuther hoped at first to keep his anger at Meany and the AFL-CIO's construction unions from becoming public. But when he called a conference of 90 leaders of industrial unions in New York to protest what he felt was the AFL-CIO's ineffectiveness, he made the fighting decision he long had avoided.

For some time, the United Auto Workers president, who is also an AFL-CIO vice-president, has complained in private about the lack of action by Meany and the federation. But, he never carried his feelings into the AFL-CIO's ruling executive council. As a result of the New York conference, however, he is the head of a 15-man committee of union leaders who are to bring up their case face-to-face with Meany.

The AFL-CIO president, in turn, has

steered clear of an open fight with Reuther and the industrial unions. To avoid one, he even ignored their meetings, including an invitation to address the recent Industrial Union Dept. legislative conference. This backfired: IUD called it a snub (BW-Mar. 18/61, p120).

• **End of a Truce**—When a House labor subcommittee this week opened hearings on legislation long promoted by the Building & Construction Trades Dept.'s unions, an industrial-craft union truce ended abruptly. The craft unions want a Taft-Hartley amendment that would permit them to picket multi-employer construction sites. The law now bars this as a secondary boycott.

Reuther's Industrial Union Dept. recently advised the Building Trades Dept. that it would no longer back this proposal unless industrial unions also are given secondary boycott relief from Taft-Hartley in the legislation. This action was taken in the face of a warning by the subcommittee chairman, Rep. Carl Perkins (D-Ky.) that prospects were dim for such legislation unless it had solid labor backing.

Despite Reuther's statement, Meany advised the committee in a letter that the bill has AFL-CIO support.

• **Conferences Fail**—Officials of the industrial and craft unions tried to settle their differences in several meetings before the House hearings got under way, as they have done many times since the merger. But their efforts failed. Reuther's IUD wanted to change the proposed legislation to include relief for industrial unions that picket employers to keep them from using subcontractors and outside labor.

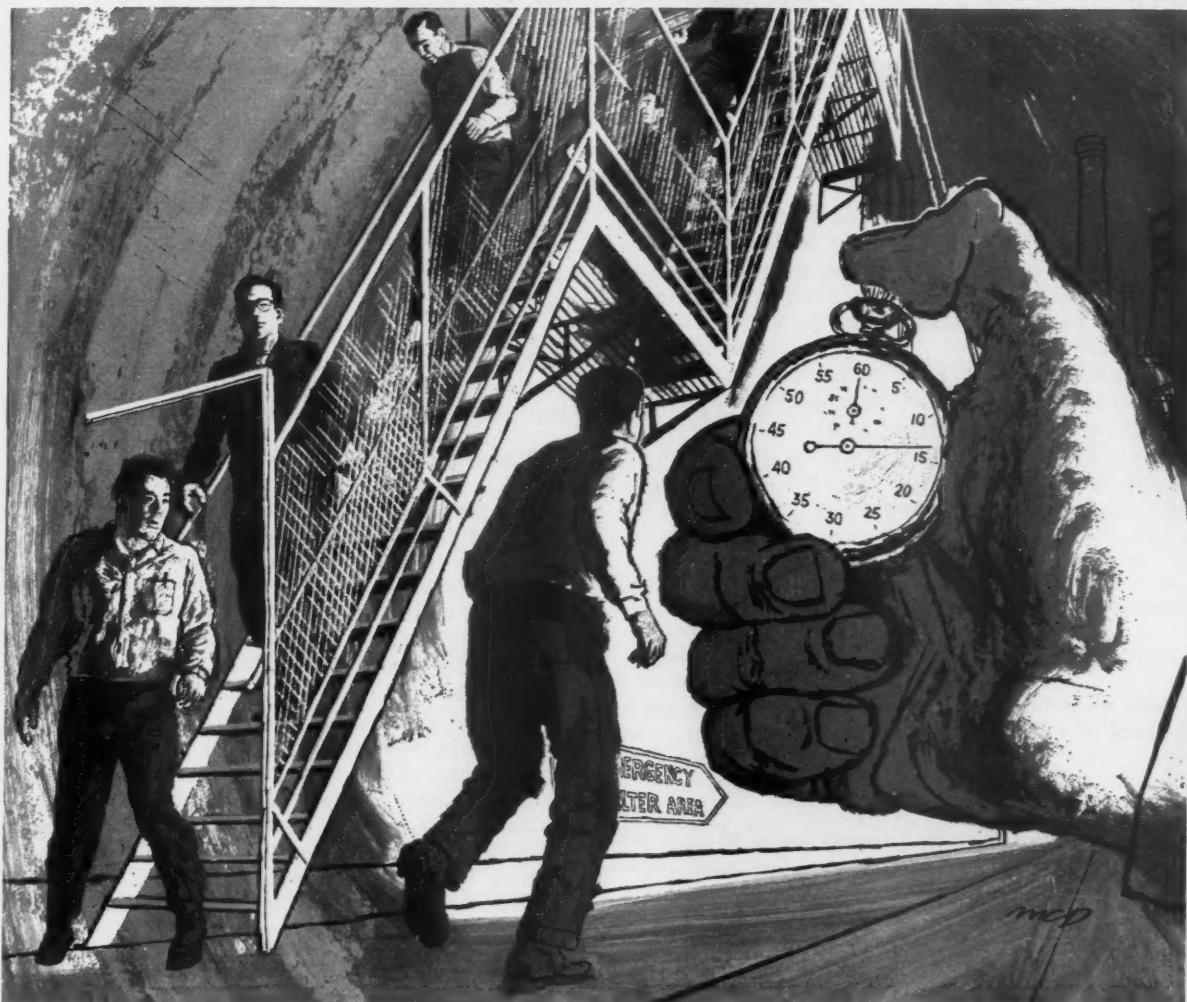
Actually, this is at the heart of the craft-industrial differences. Contractors frequently employ workers from the Building Trades for construction and maintenance work in industrial plants. The plant unions want the job.

The Supreme Court this week held oral arguments on a key case in this dispute, originating at the General Electric Co.'s Appliance Park plant in Louisville, Ky. The incumbent International Union of Electrical Workers, during a strike against GE, picketed a plant gate reserved for construction workers of an outside contractor. The National Labor Relations Board ruled this was an illegal boycott against an employer (the contractor) with whom IUE had no dispute.

This and similar cases are behind IUD demands for relief through the legislative proposal.

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# In Business

## Goldberg Persuades Clothing Workers To Call Off Boycott of Japanese Goods

For the second time in two months, the Kennedy Administration has averted a threatened boycott by U.S. labor of imported goods.

The White House announced this week that the Amalgamated Clothing Workers of America had agreed to call off a May 1 ban on working on Japanese goods, because of the inflow of Japanese-made men's suits. The agreement followed talks between Labor Secy. Arthur J. Goldberg and Amalgamated Pres. Jacob S. Potofsky. Earlier, Commerce Secy. Luther H. Hodges had persuaded a Chicago local of the International Brotherhood of Electrical Workers to postpone until Aug. 1 a planned boycott of imported electronic parts.

Meanwhile, the Administration is nearing a decision on whether to impose import controls on textiles, as urged by a Senate subcommittee.

## Sears, Montgomery Ward, Aldens Drop Downpayments on All Credit Sales

Now it's nothing down for credit customers of Sears, Roebuck & Co., Montgomery Ward & Co., Inc., and Aldens, Inc. The three big retailers are eliminating the downpayment requirement, for store and catalog sales.

Sears maintains that its primary aim is to clear up confusion in its customers' minds. Customers with revolving credit accounts have not had to make a downpayment. Those buying on installment, however, have had to put up 10% on all items except home furnishings and appliances. For these, they had to pay \$5 on goods priced up to \$200, and \$10 for costlier items.

At Ward's, time buyers and new accounts have had to pay from \$5 to \$10 down, though established customers with revolving accounts were exempt. The company, like Aldens, says frankly it hopes to stimulate sales by removing the downpayment requirement. Ward's credit sales run somewhat less than Sears'; last year they accounted for 39.7% of total sales, up from 37.2% in 1959. At Sears, credit sales accounted for 53.4% of all sales last year, up from 47.3% in 1959.

Spiegel, Inc., requires a downpayment on some credit purchases.

## Colbert Slate Reelected as Expected At Chrysler Despite Blast by Newberg

The votes of 79% of the common stock this week reelected L. L. Colbert and his management slate as directors of Chrysler Corp.—as expected (BW—Apr. 15'61, p34). Also as expected, the meeting was loaded with

opponents of Colbert's regime, who repeatedly called for his resignation.

What wasn't expected was a statement read on behalf of William C. Newberg, deposed president of Chrysler. Newberg claimed that even when he held an interest in companies supplying Chrysler "there was no conflict of interest on my part." His statement called for the removal of Colbert, scathingly criticized actions taken back as far as when Newberg was executive vice-president, and said that in the first quarter of this year Chrysler lost about \$20-million.

Colbert replied that it was unfortunate that the author of the statement "didn't see fit to present it in person." He added that Newberg was trying to use the stockholders' meeting to promote his suit against the company. At another point, he said Chrysler earnings for the first quarter would be reported after the board meeting next Thursday.

## House Bill Seeks Postal Rate Boosts To Make Up an \$831-Million Deficit

A bill proposed by the Post Office Dept. to make up the \$831-million annual postal deficit has been introduced in the House by Chmn. Tom Murray (D-Tenn.) of the Post Office Committee.

The bill would increase revenues for fiscal 1962 by \$741-million, with the other \$90-million to come from administrative boosts in fourth-class mail—parcel post and some catalogs.

First-class mail would yield \$409-million, with the first-class rate raised to 5¢ an oz. from 4¢, postal cards to 4¢ from 3¢. The airmail rate would go to 8¢ from 7¢, bringing in \$14-million more. Second-class mail, including newspapers and magazines, would be increased by \$78-million. Third-class mail, including direct mail advertising, books, and some catalogs, would be increased by \$212-million. The remaining \$28-million would come from government mail and other sources.

## Senate Confirms Elman for FTC; MacIntyre to Get Next Vacancy

The Senate this week confirmed the nomination of Philip Elman to the Federal Trade Commission. This fills out the five-man agency consisting of Chmn. Paul Rand Dixon, Robert T. Secrest, Sigurd Anderson, William C. Kern, and Elman. Pres. Kennedy has said that the next vacancy on FTC will go to Everette MacIntyre, chief counsel of the House Small Business Committee.

## New Magazine to Make Debut

Country Beautiful, a new magazine aimed at emphasizing "the true values of American families, communities, and business institutions," will go on newsstand sale next week at 50¢ per copy. The editor is the Rev. Michael P. Dineen, a Catholic priest.

# STANDARD REGISTER ANNOUNCES THE NEW STANOMATIC SOURCE DATA HANDLING SYSTEM

*A breakthrough development in the important data acquisition area ahead of the computer—a development that obsoletes the pencil for the creation of all production control and labor distribution source records—a development that permits complete automatic handling of data from factory floor to computer.*

■ An entirely new concept of source record creation and handling is introduced by Standard Register, pioneer in paperwork simplification.

Now, instead of the usual manual methods of recording data pertaining to labor distribution and production control, it is possible to gather and record this information mechanically for conversion into punched tape, magnetic tape, or tabulating cards for subsequent machine accounting.

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**THE STANRECODER.** This Standard Register machine has been described as the 1961 advanced version of our original autographic register, making use of modern data processing technology—and having implications as important today as the autographic register did when it was first introduced.

This new machine gathers and records, in one place, information concerning labor distribution, output by man, by machine, by department and by job. It automatically lists events in exact chronological sequence. It prints every transaction on a record that is both man-readable and machine-readable.

**STANOMATIC READER-TRANSLATOR.** Second step in the STANOMATIC SYSTEM is to read the coded forms produced by the Stanrecorder and translate the data into the language of machine accounting. This is the function of the Reader-Translator.

In companies with relatively small production volume, this job can be accomplished by manual key-punching of tabulating cards using the form prepared in the Stanrecorder as the source document. But where volume is high the Reader-Translator provides the

final step in total automation of data handling.

**COMPREHENSIVE REPORTS.** With the STANOMATIC SYSTEM, management gets faster, more accurate, more comprehensive reports. Among the end results is complete control of payrolls, hiring and layoff, quality control, inventory, material location, production trends, maintenance costs, actual production time, lost time, and other elements of labor distribution and production cost.

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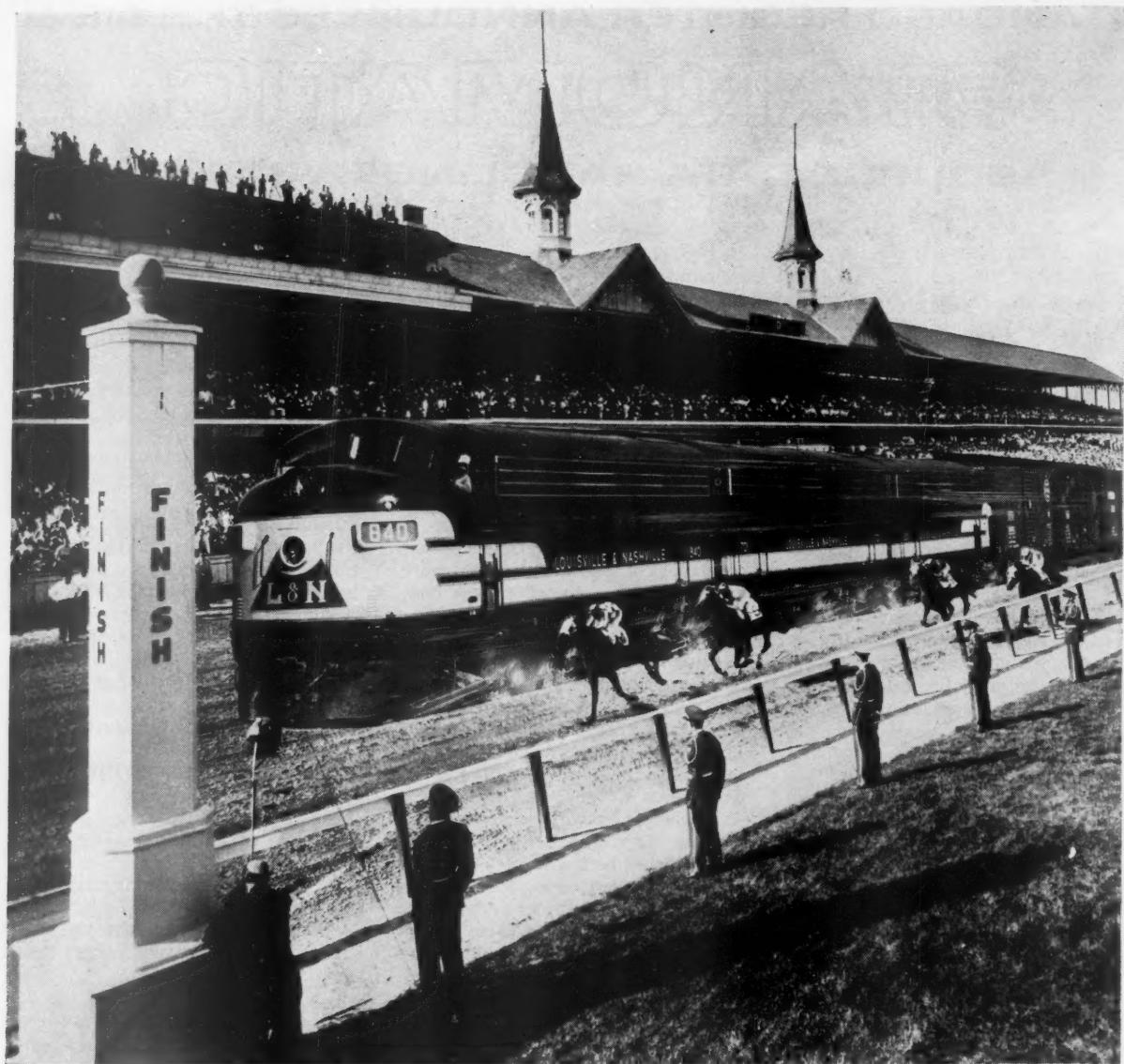
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## 4,500 HORSES IN A PHOTO FINISH

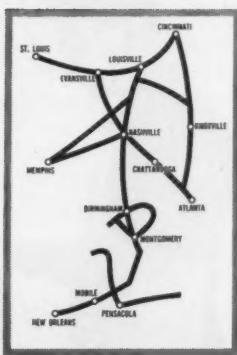
This is a sight you'll hardly see at historic Churchill Downs on Kentucky Derby Day, or any other day, but it illustrates a key point: when you bet on a horse race, you take a chance, but **YOU CAN'T LOSE** when you pick L & N, The Dixie Line, for your transportation needs!

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# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
APR. 22, 1961



A tone of rising criticism directed at business can be sensed among key members of the Administration.

So far, it's an accumulation of signs and portents rather than a sharp breakaway from the friendly overtures that marked Pres. Kennedy's first weeks in office.

But the new mood means that business will be put on the defensive as the Administration settles into the job of making a political and economic case for the New Frontier in next year's Congressional elections.

A BUSINESS WEEK

Here are some of the bits and pieces that signal the future:

Price-fixing scandals by big business may cause loss of faith in the free enterprise system, Commerce Secy. Luther H. Hodges warns.

Price investigations are going on "in all parts of the country," Atty. Gen. Robert F. Kennedy announces. He classes price conspiracies along with business ties to the underworld as signs of moral laxity.

The federally sponsored code of business ethics (BW—Apr. 15'61, p41) may be used to underscore the derelictions of some businessmen regarding price and conflict-of-interest cases.

Changes are forced on the Business Advisory Council of the Commerce Dept., putting that group of blue ribbon business executives under stricter government supervision.

Sen. Hubert Humphrey, (D-Minn.), a Kennedy backer, chides retailers in a Washington speech because some businessmen oppose foreign aid.

Sen. Philip A. Hart (D-Mich) will probe labeling practices of grocery companies in hearings next month—the latest in a growing list of Congressional investigations of business.

In one day last week, the Administration moved against four companies in the fire and burglar alarm business charging monopoly; five book publishers were accused of paying illegal promotion allowances; and a jewelry maker was charged with listing fictitious catalog prices.

What's all this leading to?

First, a new push for laws long sought by critics of business in Congress, such as notification in advance of plans to merge and amending anti-trust laws to get at identical bidding and administered pricing.

So far, the White House is not pushing for such changes.

The possibility of a generally weakened conservative position is what concerns business spokesmen in Washington.

The conservative coalition in Congress has been pro-business, and it has been pretty much in control since World War II. If sniping at business catches on politically, this period could come to an end.

—•—

Kennedy is not averse to being pictured as eager for reforms, but held back by the prevailing conservatism of the country.

This was the impression a group of labor leaders got after telephone conversations with Kennedy recently.

The calls were made prior to a meeting in New York last week of the CIO-AFL's Industrial Union Dept., headed by Walter Reuther. Several

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
APR. 22, 1961

union heads wanted Kennedy to know in advance that the meeting was going to urge "bold and new" anti-recession steps, implying a criticism of what Kennedy has done to date.

**Kennedy's reaction was swift. He told the union leaders to go ahead.**

Union heads are saying that Kennedy seems interested in building up more criticism of his policies from the left, to offset the conservatism of Congress and the general public.

—•—

**Secy. Robert S. McNamara is living up to advance notices as a man who thrives on special studies and surveys.**

By latest count, he has got 104 separate studies under way—ranging from spending projections three years in advance to methods of plugging news leaks.

The Joint Chiefs of Staff are working on a standard glossary of military terminology. Studies are being made of advanced manned vehicles, the role of aircraft carriers, use of tactical nuclear weapons, and the possibility of transferring civilian defense to the Army.

**McNamara's latest: a look at how arms production affects employment and other economic conditions at the local level.**

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**More cutbacks of outmoded military installations are on the way.**

Pentagon officials are encouraged by the reaction to the first round of cuts that shut or curtailed operations at 53 installations in the U. S. There have been local complaints since the announcement last month, but Congress has not whipped the closings into a major political issue.

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**The GOP canvasses corporations to find jobs for former officials in the Eisenhower Administration.**

The National Committee has sent 1,000 letters to businessmen and other Eisenhower backers notifying them that lawyers, administrators, and prospective lobbyists are available among those who lost out when the Democrats took over.

**GOP strategists want to keep such men in Washington if possible where they can participate in the party's drive to win the White House in 1964.** Party officials say that corporations are showing a lively interest.

—•—

**Richard M. Nixon is itching for combat, Washington friends say.**

His return to the Washington spotlight this week in brief appearances means he will be challenging conservative Sen. Barry Goldwater for the role of party spokesman.

**GOP leaders in California urge Nixon to run next year for governor.** They assure Nixon that if he wins it will mean a stronger start in the 1964 race for the White House.

**The victory of former Labor Secy. James P. Mitchell in New Jersey this week is a boost for the Nixon-type, Republican moderates.** Mitchell won the GOP nomination for governor handily against candidates backed by that state's conservatives.

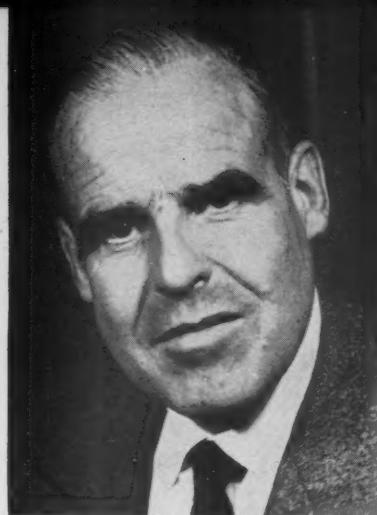
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WILLIAM McC. MARTIN, Federal Reserve chairman, speaks for U.S. at Paris.



LORD CROMER, Governor of the Bank of England, has problems to pose.



W. SCHWEGLER, president of the Swiss National Bank, plays a key role.

## FINANCE

# Top Central Bankers Seek Better Teamwork

A new attempt to coordinate the free world's financial and monetary policies got under way this week in Paris. The occasion was the inaugural meeting of the 20-odd nation Organization for Economic Cooperation & Development (OECD), which brought together a host of key economic policymakers. The U.S. team included Walter W. Heller, chairman of the President's Council of Economic Advisers, Robert V. Roosa, Under Secretary of the Treasury, and William McC. Martin, chairman of the Federal Reserve.

This week's meeting took place in a period of comparative calm, with speculative fever in foreign exchange markets much lower than it has been for some weeks. But there was a sense of urgency in the discussions. For during the past year, speculative runs against the world's "key" currencies, the dollar and the pound sterling, have exposed serious weaknesses in the jerrybuilt framework of international finance.

• **Pound in Trouble**—At the moment, the heat is off the dollar (BW—Apr. 15'61, p32). The U.S. is no longer suffering from the outflow of short-term funds to money markets abroad that culminated in the London "gold rush" last October. In fact, short-term funds have begun flowing back to the U.S., largely as a result of foreign confidence in the Kennedy Administration's determination to defend the dollar.

Speculative attention is now focused on the other key currency—the pound sterling. The British, who had a tight monetary policy characterized by ex-

tremely high yields, were a major beneficiary of last year's flight from the dollar. Their big influx of funds masked the fact that they were operating at a deficit in their balance of payments. But since March, when West Germany revalued its currency by 5%, there has been a rush out of sterling by short-term holders who feared that the British might have to devalue.

The speculative attack on sterling was thwarted by a special agreement worked out between Europe's central bankers (pictures). At a meeting at the Bank of International Settlements in Basle, Switzerland, last month, they agreed to hold one another's currencies during speculative runs, instead of attempting to convert them to gold or other stronger currencies. This kept the run on the pound from gathering momentum. But central bankers admit that the attack on sterling was "a near thing," and they consider their agreement as a stop-gap measure that must be replaced by a much stronger and broader arrangement.

• **Permanent Safeguard**—This was explored at this week's meeting of the OECD. While the new organization will be involved in planning ways of coordinating the West's economic aid to the underdeveloped nations, it is also regarded, by the Kennedy Administration at least, as a major forum for shoring up the international monetary framework.

Most European nations take much the same position. They recognize that new steps must be taken to guard against speculative runs and to



KARL BLESSING, president of the Deutsche Bundesbank, recently revalued.



PIERRE-PAUL SCHWEITZER speaks as Governor of the Bank of France.



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strengthen the defenses against a monetary crisis. But many Europeans want to proceed slowly. They are skeptical about any radical changes in the present arrangements. Before the meeting took place, some expressed the view that the U.S. may try to do too much, which in itself could touch off a new speculative wave.

• **Air of Caution**—There's no doubt that the U.S. delegation wants to see some changes. But it recognizes that, despite the atmosphere of crisis in the past six months, there's little chance to bring about any major shifts. As one member of the U.S. delegation put it: "Some Europeans wouldn't buy any major change unless we had an actual crisis. It's our job to find moderate measures that can prevent crisis from breaking out."

Most of the caution expressed by Europeans stems from fears that the U.S. would officially support the adoption of the Triffin Plan, which calls for a cooling of domestic reserves in an international reservoir administered by the International Monetary Fund (BW-Dec. 17 '60, p27). In essence, IMF would then act as the free world's central bank, and its reserves would be available to provide the liquidity needed to support a growing volume of world trade and to prevent the re-current threat of currency crisis.

As Europeans see it, the Triffin Plan is far too radical. They take the orthodox position that the way to prevent serious runs on a currency is to run a surplus in the balance of payments.

• **British-German Contrast** — The OECD sessions will provide a forum for examining different plans and situations. For example, the German situation will get a full examination in Paris. Most foreign governments want the German central bank to lower its discount rate and thus to ease money, which would serve to stem the inflow of capital from abroad. But the German government is worried about inflation, so it is opposing central bank action.

The British position also will be examined. Britain is hoping to improve its balance-of-payments position by increasing exports and holding to relatively high interest rates.

The contrast between Britain and Germany points up the need for international cooperation—in regard to financial transactions and interest rates. The OECD meetings are designed for this purpose.

• **Bernstein Plan**—There's no doubt that the Triffin Plan will come up for an airing, either at the formal sessions or in the corridors. But it is expected that this scheme will be turned down in favor of something along the lines of the proposal by E. M. Bernstein, former director of research for IMF. Bernstein has called for increasing the

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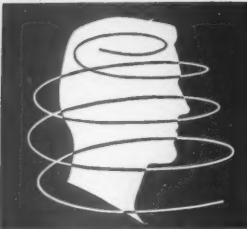
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subscriptions of member countries of IMF to enable it to borrow funds from nations enjoying an influx and lend to countries suffering an outflow.

This plan is considered acceptable by many countries because it contemplates no real change in the present institutional setup, yet guards against any short-term monetary crisis.

• **Triple Approach**—The U.S. is using what it terms a "three-layer" approach in trying to strengthen the defenses against speculation. It is counting on cooperation in three separate spheres:

The **OECD**. This serves primarily to coordinate financial policies, with emphasis on exchanging information on balance-of-payment problems, domestic financial affairs, and foreign aid. But monetary coordination also will be discussed. (The U.S. emphasized the importance it attached to the monetary issue by sending Martin as a member of the delegation.)

The **Bank for International Settlements**. This is the forum for central bankers, and it will be used specifically for settling monetary problems. The U.S. is not formally a member of the BIS, but it is sending observers from both the Fed and the Treasury to the regular monthly meetings, which are limited to top central bankers from the leading nations of Europe.

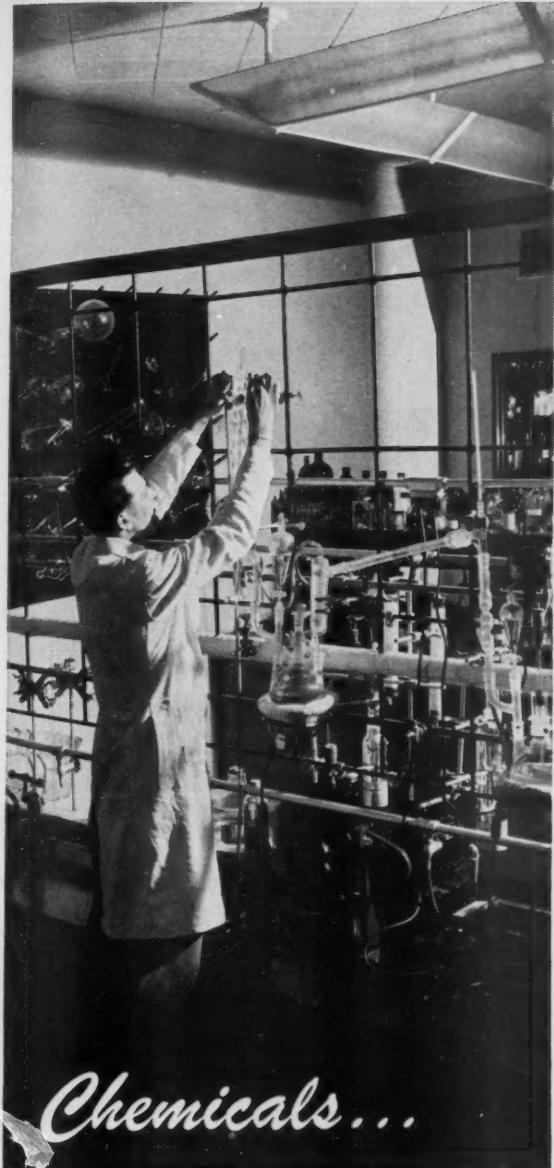
The **International Monetary Fund**. This is the operative unit, which will handle policies already decided on through multilateral discussions at OECD and BIS.

In addition to the three-layer institutional setup, the U.S. is counting on bilateral negotiations. After the London gold rush started, the U.S. Treasury established a close relationship with the Bank of England; this arrangement has been strengthened by the Kennedy Administration. It also has held discussions with West Germany, which have resulted in steps to ease the U.S. balance-of-payments problem.

• **Need to Cooperate**—Because speculative doubts about the pound—even about the dollar—are still strong, most of the serious planning at OECD will be limited to representatives of a few key countries—the U.S., Britain, West Germany, France, Italy, Switzerland. If these countries agree on new plans, it is expected the others will go along.

There's a real need for both coordination and secrecy, for a fresh speculative run could easily cause a crisis. This was clear from the aftermath of the German revaluation, when speculators rushed funds out of London and into Germany and Switzerland. In a single week, the Swiss took in \$350-million, while West Germany's gold and foreign currency reserves are now at a record \$8.1-billion, with \$450-million added since revaluation.

• **Modest Revaluation**—Many central



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"In meeting these rather complex requirements, **American Appraisal's Continuous Service**, for which we had contracted only about a year ago, **proved to be our 'insurance insurance.'**

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"Our presentation to the insurance adjusters, however, must have been lacking in some way. After our first meeting with them, even though it was agreed that we should recover several hundred thousand, **there remained an area of some sixty thousand dollars still in question.** Another appeal to American Appraisal brought their Insurance Manager back to New Orleans, for a point by point review of the basis for this likely disallowance. And the outcome of our second meeting with the insurance people was **a re-adjustment, in our favor, of fifty-eight of the disallowed sixty thousand**, leaving us just two thousand dollars short of the total insurance available.

"That's how American Appraisal 'insured' our insurance, with their experience, reputation, and immediate, interested service. This School Board, I'm quite sure, will never be without their help again."



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bankers in Europe are critical of West Germany's action for being too limited. Says one: "There never was a revaluation on so minor a scale before. You couldn't blame the speculators for thinking another move would follow."

The adverse reaction to the German move was compounded when U.S. officials termed the revaluation as "modest," and implied that further steps were needed.

"This only added fuel to the fire," explained a Swiss banker. "The U.S. position may have been correct but, under the circumstances, it was better to say nothing."

Says another, "The situation was critical, and if the BIS meeting hadn't produced an agreement, a real run on the pound would have developed."

• **Bankers' Club**—Central bankers think their regular monthly meeting at Basle is the best place to conduct negotiations. For one thing, the sessions are limited to the top central bankers from Britain, France, Germany, Belgium, Italy, the Netherlands, Sweden, and Switzerland. For another, it takes place each month over a weekend, so that no special significance is attached to it by outsiders. Finally, the meetings are entirely secret. With only a handful of men in attendance, the possibility of any leak is minimized.

It's probable that the establishment of OECD will enhance the significance of the BIS sessions. The real bargaining—and planning—may take place in Basle.

The Swiss, for instance, are not members of IMF. But they are in both OECD and BIS, and they favor using these two institutions to improve coordination of monetary affairs. According to one Swiss official, "We won't destroy the wolf pack of speculators unless we are united, and the only way to get together on policy is in secret."

• **View of Speculators**—The Swiss, and other European bankers, are not against all speculation. On the contrary, they regard a certain amount of it as a vital force in foreign exchange markets.

With the expansion of world trade, there has been a rise in the normal speculation by legitimate businessmen—exporters, importers, financiers—who seek to hedge against sudden shifts in currency values. But the weakness of the pound and the dollar has also aroused a huge amount of unhealthy speculation. So far, speculators of this type have not made a real killing. But they haven't been defeated, either. As a British official put it, "they've hurt us as much as we've hurt them."

While there is still a good deal of skepticism and uncertainty about just what steps to take, the OECD sessions mark the first new move toward coordination since the setting up of the IMF in 1944. **END**



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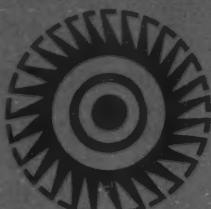
#### Metals/ Refractories



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# In Finance

## Senator Attacks Stock Option Plans, Begins Study of Overseas Investments

Sen. Albert Gore (D-Tenn.), an influential member of the Senate Finance Committee, this week launched his own two-pronged program to increase the government's tax take:

- He introduced a bill that would do away with corporate stock option plans.
- He sent a questionnaire to the 100 largest U.S. corporations for information on their foreign investments, which he plans to use in developing new tax legislation.

Gore's attack is aimed at stock option provisions in current tax laws, that enable executives to buy stock in the future at market prices slightly lower than those prevailing when the options were granted and then pay only a maximum capital gains tax of 25% on their profits. He argues the plans were clearly designed to compensate executives at low tax rates, and he estimates that if they were abolished, the Treasury would gain at least \$300-million a year in additional tax revenues.

As for the foreign activities of U.S. corporations, Gore is seeking details on their foreign portfolios, including investments of less than 25% ownership or holdings in debt securities, to supplement existing information on direct investments overseas. Whether Gore will get much response is problematical, but he is definitely out for crack-down on taxation of foreign profits.

## Fed Approves Boston Bank Merger Despite Justice Dept.'s Reservations

The new accord on bank mergers between the Justice Dept., the Secretary of the Treasury, and the Comptroller of the Currency (BW—Apr. 8'61, p30) was barely two weeks old before a new controversy erupted among the agencies regulating bank mergers. The occasion was the approval by the Federal Reserve Board of the merger between two Boston banks, the State Street Bank & Trust Co. and the Rockland-Atlas National Bank of Boston after Justice had reacted adversely to the proposed combination.

Justice had objected that the Boston merger would lessen competition. The combination of State Street and Rockland-Atlas would have total deposits of over \$530-million, displacing the National Shawmut Bank of Boston (\$452-million in deposits) as the second largest in the city.

Although the Board agreed with the Justice Dept. as to the competitive aspects of the merger, it ruled that other considerations—management, adequacy of capital structure, convenience, and the needs of the community—outweighed the competitive factors.

The independent Fed decision may encourage attacks

on the Justice-Treasury accord, on the grounds that the Comptroller has the duty to rule on merger actions under his jurisdiction.

## New York State Turns Down Bank Merger; Bankers Fear Other Deals May Be Slowed

New York bankers have received a surprise setback. The New York State Banking Board turned down Bankers Trust Co.'s plans to set up a holding company with County Trust Co. of White Plains, the largest bank in suburban Westchester County.

New York State Banking Supt. G. Russell Clark ruled that the combination would produce a consolidation of banking assets in the county that would pass the limits for effective competition.

Moreover, Clark said that if the Bankers-County Trust holding company were approved and the proposed merger of First National City Bank of N. Y. and the National Bank of Westchester, the county's second largest bank, went through, the two institutions would control over 75% of Westchester's banking assets.

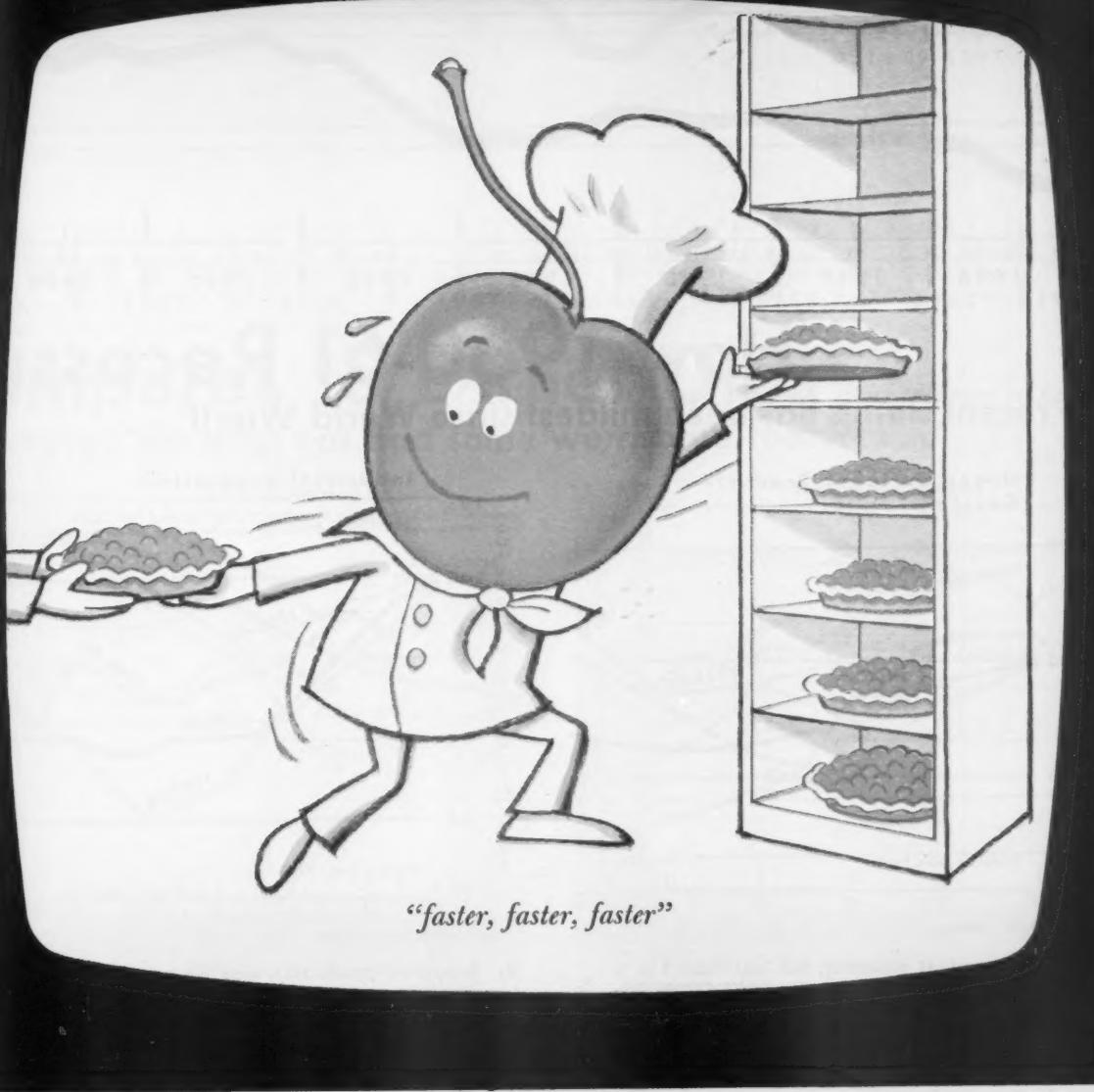
Clark's decision has no direct effect on the National City-National of Westchester proposal, which is under the jurisdiction of the Comptroller of the Currency. However, in view of the Treasury-Justice accord, its fate seems doubtful. In addition, Clark's decision does cast doubt on the prospects of securing approval for Morgan Guaranty Trust Co.'s statewide holding company, and for the proposed merger between Manufacturers Trust Co. and the Hanover Bank.

## Salik Electronics Investment Company Makes Its First Deal Overseas

Electronics International Capital, Ltd., the third and newest member of Charles Salik's stable of electronics investment companies (BW—Sep. 10'60, p147), has made its first foreign commitment. It will invest \$4.9-million of its \$16-million capital in Ultra Electronics, Ltd., a British company that specializes in instrumentation and controls for aircraft, industry, and atomic power. EIC stock was offered to the public in October at \$16 a share, and sold this week at \$30.

The investment—which will give Electronics International 40% of the total equity in Ultra—consists of \$2,240,000 in ordinary and preference shares, with the rest in long-term loans. Any profits on the deal will be taxfree: The Bermuda-chartered investment banking company has no local tax liability there, and is not subject to U.S. taxes so long as it does not operate in this country.

A spokesman says Electronics International is busy on a number of other financing deals with privately owned foreign electronics companies. Salik's Electronics Investment Corp., a mutual fund, specializes in publicly owned U.S. and foreign electronics companies, while his Electronics Capital Corp. concentrates on financing small U.S. companies.



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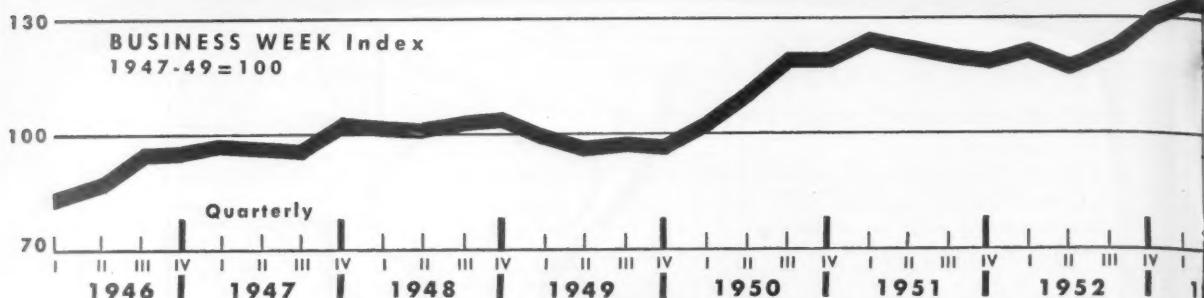
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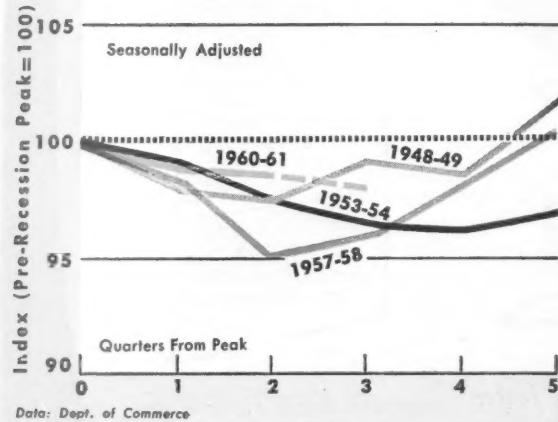
## ECONOMICS



# How 1960-61 Recession

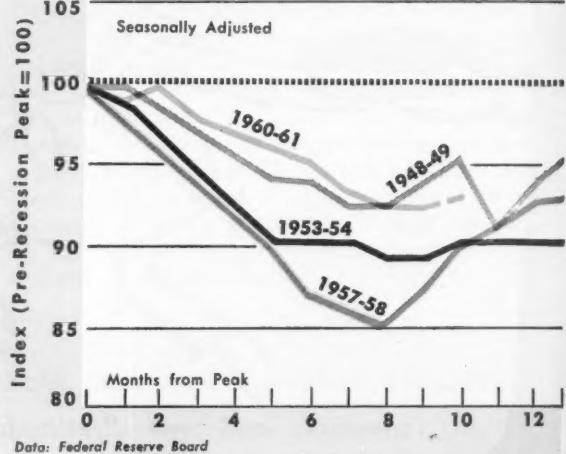
The recent slump has been mildest since World War II . . .

**Gross National Product—Constant Dollars**



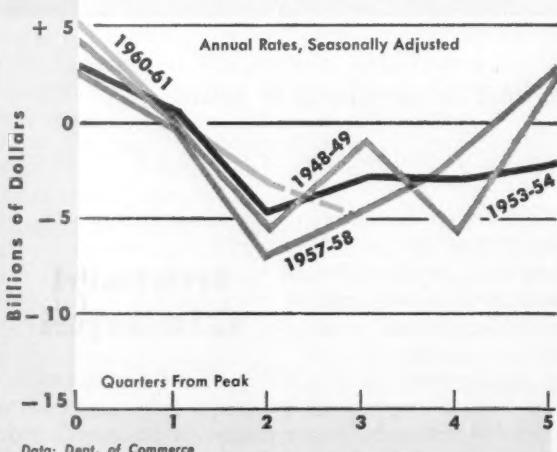
1. GNP, broadest indicator, fell less than 1½ %. But dip came close after sharper 1957-58 decline.

**Industrial Production**



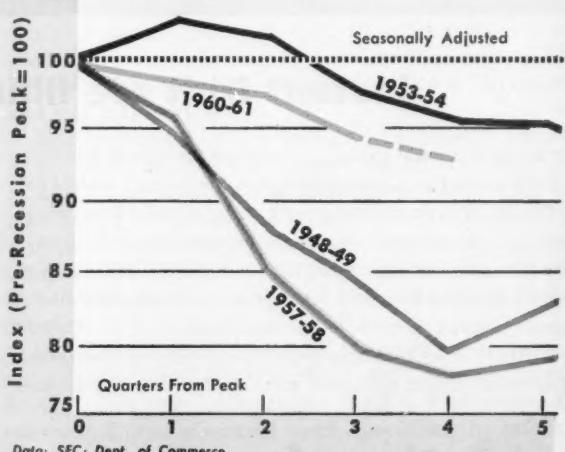
2. Industrial production was hit hardest. Yet, fall in output was relatively moderate in most sectors.

**Change in Business Inventories**

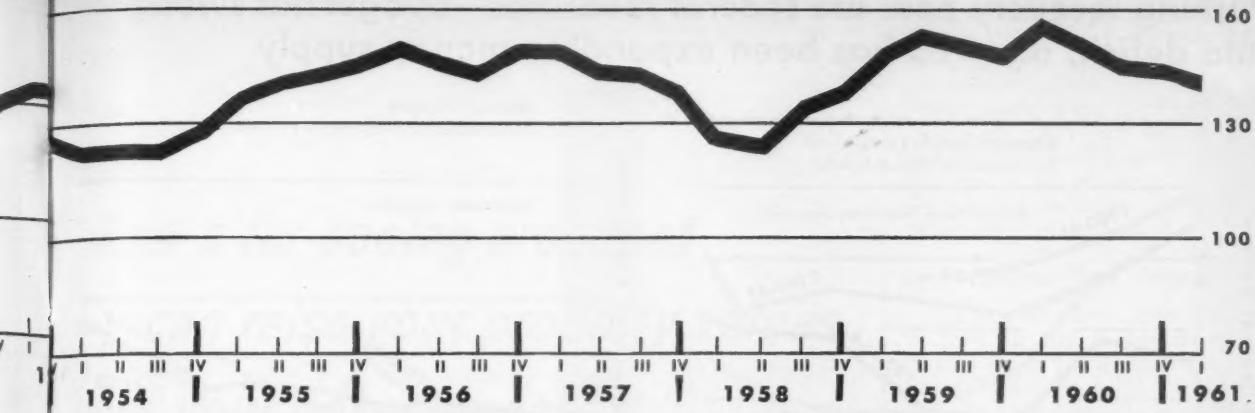


3. It was essentially an inventory recession. Inventory slide roughly paralleled earlier cutbacks.

**Plant and Equipment Expenditures.**

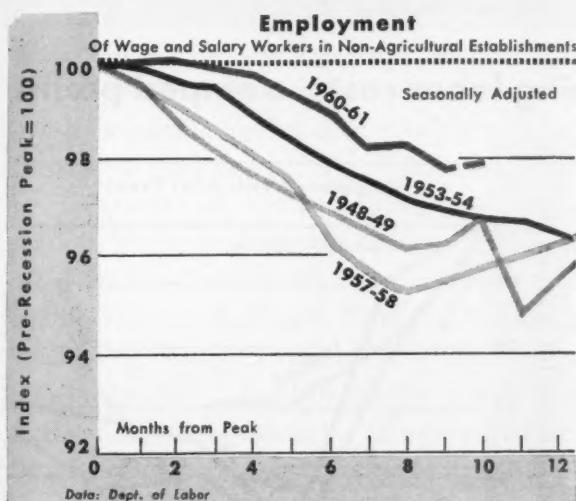


4. Dip in capital spending was second mildest since war — helped keep over-all slide gentle.

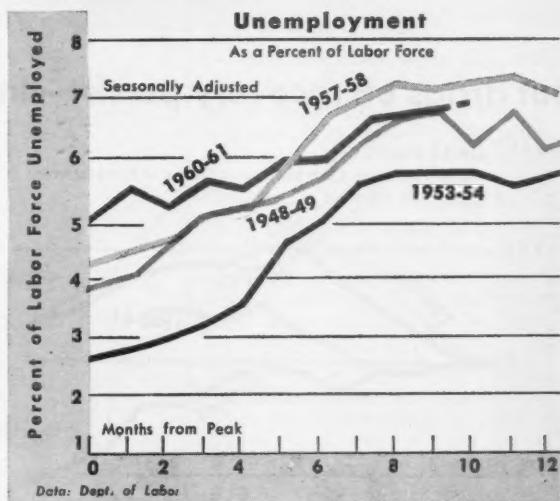


## Compared to Earlier Dips (Story continues on page 56)

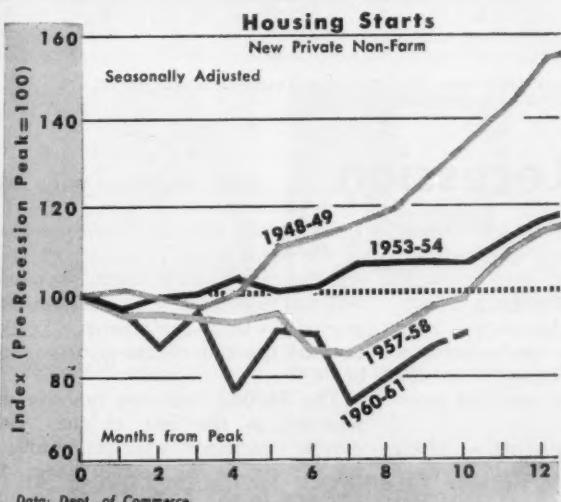
However, the drop has had some worrisome features . . .



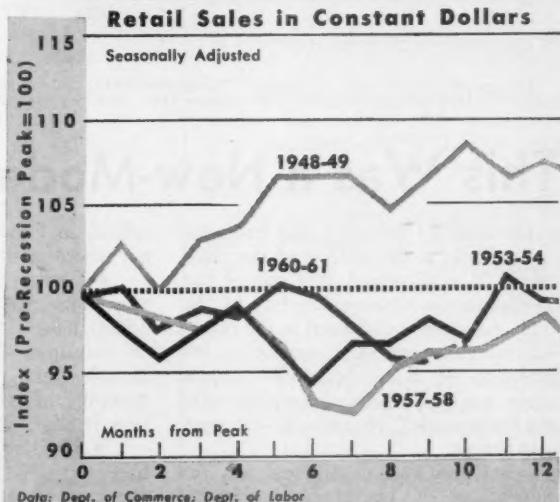
5. Though employment in nonfarm jobs declined less than in earlier postwar recessions . . .



6. Unemployment rates neared previous postwar peak. Actual number of jobless hit postwar high.

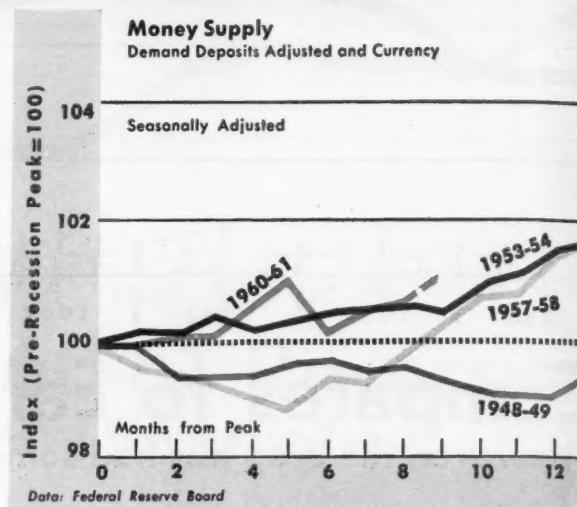
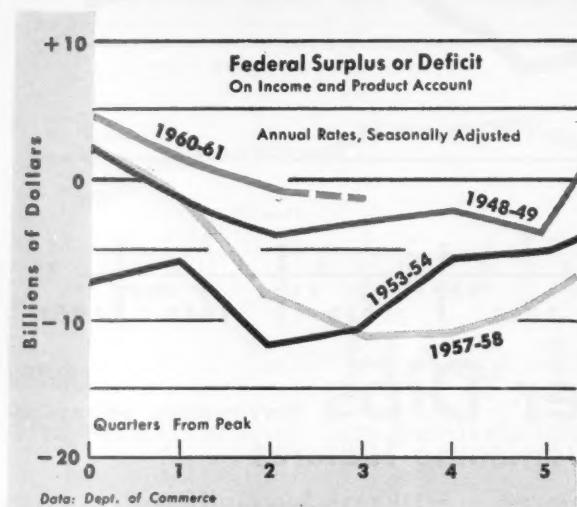


7. Housing fell off more — and failed to lead economy out of recession, as before.

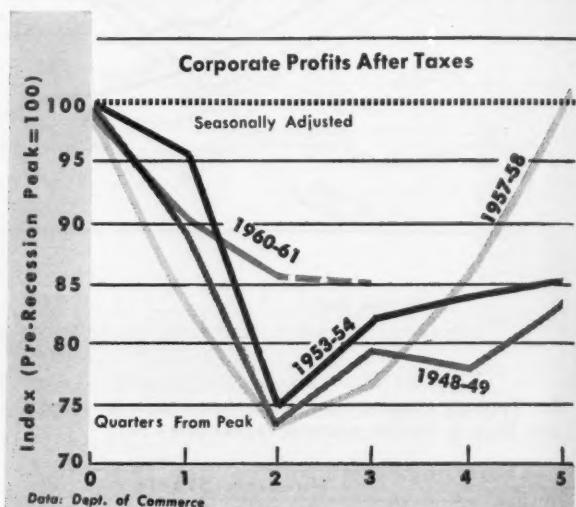
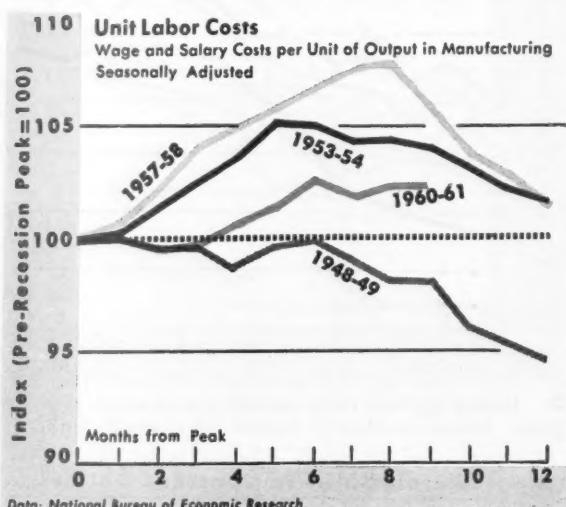


8. Though personal income scarcely declined, consumers cut spending rather sharply.

## Pushing recovery now are federal measures—budget has swung into deficit, and Fed has been expanding money supply



## But drags on recovery persist—in rising labor costs, cramped profits



(100=peak before each recession: November 1948, July 1953, August 1957, May 1960 for data available monthly; 4th quarter 1948, 2nd quarter 1953, 3rd quarter 1957, 2nd quarter 1960 for data available quarterly.)

## This Was a New-Model Recession

(Story begins on page 54)

The 1960-61 recession will go down in the books as the mildest of the post-World War II period, and one of the mildest in the economic history of the U.S.—for reasons indicated in the charts beginning on page 54. Nevertheless, it's likely to be remembered for certain other, less happy peculiarities that make it a "new-model" recession in the post-war period.

• Despite the mildness of the slump, and the continuing rise in employment levels this year compared with last year, unemployment reached 5.7-

million in February. That was a post-war record in the number of jobless.

• Consumers felt only a slight drop in income—but they clutched their dollars hard. It was the sluggish pace of consumer buying, particularly in durable goods, that brought on the dumping of inventories and the recession itself.

• Housing construction—which had started climbing early in previous recessions in response to liberal credit policies—lagged throughout the 1960-61 recession.

• Finally, this recession came hard on the heels of the preceding 1957-58 dip. Indeed, it came before the economy had made a full recovery from that recession—which economists believe signaled the end of the great postwar boom.

The 1960-61 recession can thus be regarded as the first of the "slow growth" recessions in the period following the end of the postwar boom. In this new period, final demand has not expanded fast enough to provide jobs for a rapidly growing labor force. And

# *How a far-seeing architect can raise your property values, cut your upkeep cost*

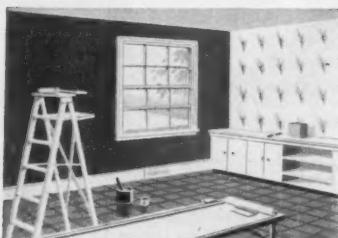
*He has at his command building materials with distinct advantages over those which were standard less than a generation ago; modern, man-made products into which are built the exact properties desired without the shortcomings of older materials. For example, Styrofoam® expanded polystyrene insulation board is unaffected by water or moisture, won't rot, never packs down, and termites won't touch it. These advantages are typical of those found in modern Dow Building Products: Roofmate\* insulation for built-up roofs . . . Scorbord® (Patent applied for) foundation insulation . . . Polyfilm® polyethylene film for use as moisture barrier . . . and Dow latexes to make durable exterior and interior paints. For literature on these and other Dow Building Products, write us in Midland.*

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it has not put enough pressure on existing industrial plant to generate a capital spending boom aimed primarily at expanding capacity.

But, much to the surprise of some economists (BW—Sep. 3 '60, p30), the lack of forward push in the economy did not prevent the economy from showing a remarkable degree of over-all stability when recession came.

### I. Recession Box Score

Just how mild this recession was can be seen in the shallowness of the 1960-61 dip in the major business indicators (charts, page 54), as compared with the earlier postwar recessions.

The series of charts on pages 54-56 shows how 12 important measures both of business activity and government policy moved during each of the four postwar recessions. They plot the course of the important indicators at successive stages of each recession, starting with the preceding business peaks.

• **How This One Began**—The 1960-61 recession started when business woke up to the fact that it had built up inventories too optimistically after the steel strike of 1959. The heavy rate of inventory building was not justified by the rate of growth in sales to consumers. Sales in first-half 1960, in fact, proved disappointing.

Business then hauled back on its inventory spending. In the first quarter of 1960 it was building up inventories at an annual rate of \$11.4-billion. By the first quarter of 1961, it was cutting inventories at a rate of about \$4.5-billion. That was a net swing of about \$16-billion.

• **Wary Consumers**—Even after the recession began, personal income held up well—but consumers kept a very tight rein on spending. Personal savings rose from an average of 6.9% of personal income in 1959 to 7.5% in 1960 as a whole. In the third quarter of 1960, saving climbed to 8.2% of income.

This cautious consumer behavior hit the durable goods sector hardest. Between May, 1960—the pre-recession peak—and January, 1961, auto output fell by 36%, housing starts by 20%, appliance output by 13%.

The sharp drop in consumer hardgoods production made the 1960-61 slump unique in postwar business annals. In the previous postwar recessions, business demand for capital goods took a bigger slide than did that for consumer items. This time, the pattern was reversed. The consumer goods component of the Federal Reserve Board index of industrial production fell by 5.3% between May and January. The industrial equipment component of the Fed index dropped only 3.8%.

The output of producers' durable goods held up quite well as a whole

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(chart, page 54), though this did not prevent the nosedive in steel production, which bore the brunt of inventory liquidation. Machinery output slid by only 8% between May and January. Commercial and industrial construction actually rose all through the recession.

• **Profit Squeeze**—Yet, in spite of the mildness of the recession, business profits after taxes fell by about 15%. This decline in profits persisted into a later stage of the recession than it did in earlier postwar dips—and this could be a drag on the rate of climb in the recovery period that's beginning.

Behind the relatively poor performance of profits is the trend of labor costs. Labor costs per unit of output have been steadily creeping upward (chart, page 56). In earlier recessions since the war, business was able to check the rise in unit labor costs, and even to reverse it, months before sales began to turn up.

The other side of the profit coin is that while unit labor costs keep on crawling upward, wholesale prices have not risen. They have been held down by stiff competition from both domestic and foreign producers.

Even so, the slide in after-tax profits has been less sharp than in earlier recessions. As volume increases in the months ahead, this should help producers get unit costs down and fatten profit margins.

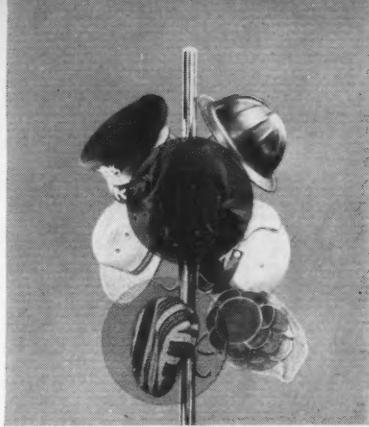
## II. Recovery Moves

Part of the credit for the mildness of the current recession should go to the U.S. government—including both the Treasury and the Federal Reserve Board.

The federal budget began to swing toward moderate deficits with the onset of the recession; and this has been a mild stimulant for the economy (chart, page 56). At the same time, the Fed, ever since the recession began, has been cautiously but steadily increasing the money supply.

This recent performance by both Treasury and Fed, however, has not yet caused economists to forget the impact of federal policies on the economy in 1958 and 1959. At that time, a violent swing from federal deficit to surplus (BW-Jul.30'60,p34), and a sharp swing by the Fed to tight money in the early stage of the revival, caused the 1959-60 recovery to come to an abortive end.

As the 1961-62 recovery gets underway, the odds are against any such violent swings from deficit to surplus in the budget, or from very easy to very tight money. But some doubts remain whether, without a major tax overhaul, final demand for goods will be able to expand rapidly enough to overcome the slow growth pattern that brought on the 1960-61 recession. **END**



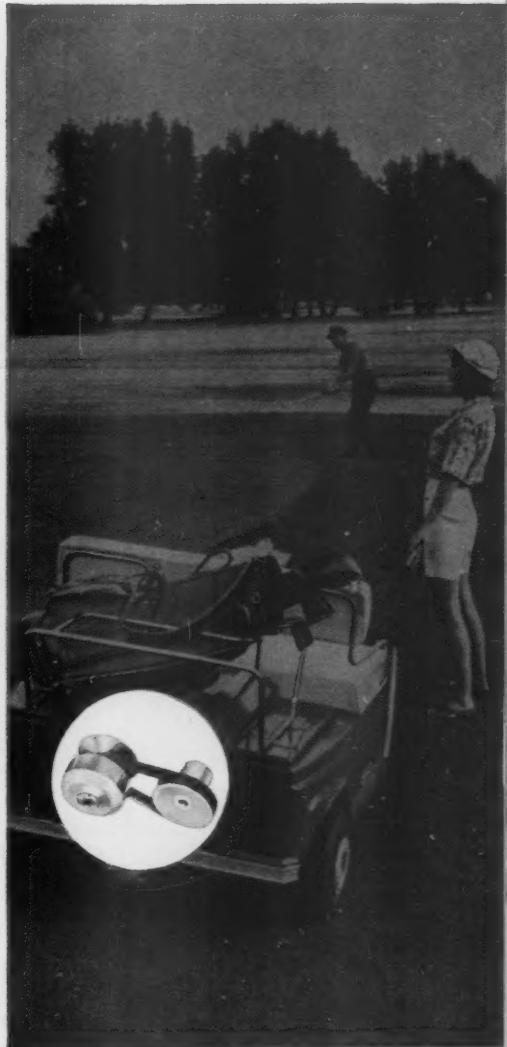
THE 7 HATS OF BORG-WARNER ... (top) national defense; oil, steel and chemicals; (middle row) agriculture; industrial machinery; aviation; (bottom) automotive industry; home equipment.

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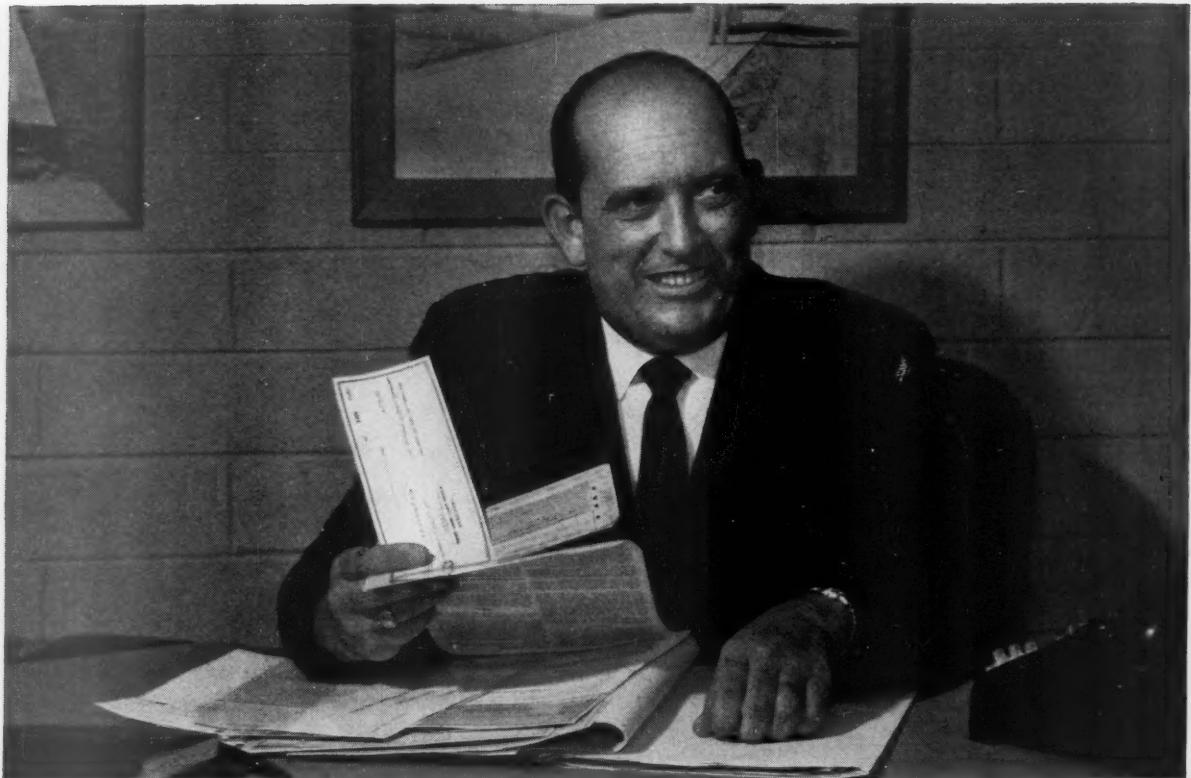
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# Gaullist Aim: A New Power Bloc in Europe

**Charles de Gaulle (pictures) makes no secret of his ambitions. He sees France leading an economic, political, and strategic "confederation" of European countries.**

Gen. Charles de Gaulle's stubborn ambitions for France, before and after liberation in 1944, often brought on bitter clashes with Prime Minister Winston Churchill and Pres. Roosevelt, and later with Pres. Truman.

Today, Pres. Charles de Gaulle's power ambitions for France are once again upsetting his Western allies. The French President is seeking a new power line-up that will give France more say in world affairs. De Gaulle would like to group together the nations of Continental Europe—starting with the members of the European Economic Community—in a loose economic, political, and strategic confederation. This power bloc, in which France would play the leading role, would speak for Europe.

- **De Gaulle's Goals**—It is only when you grasp this central foreign policy objective that de Gaulle's moves since returning to power in 1958 make sense.

In seeking this goal since then, the General has set Washington's temper soaring on more than one occasion. De Gaulle's frosty attitude toward NATO and the United Nations, for example, has several times produced shocking Western disunity. This month, the French President refused to ante up his share of the U.N. costs in the Congo, and declared a French boycott on future U.N. actions.

Pres. Eisenhower, one of the few wartime leaders who got on fairly well with de Gaulle, was not able to soften this hostility toward NATO and the U.N. so it isn't likely that Pres. Kennedy will do any better when he travels to Paris next month. Still, Kennedy will be able to explore the ambitious foreign policy goals that lie behind Gaullist tactics. These goals, many observers believe, very likely will keep Paris at odds with its Western partners—particularly Washington—as long as de Gaulle remains on the scene.

- **Difficult Ally**—De Gaulle, of course, isn't out to wreck the Atlantic Alliance. He sincerely believes his ambitions for a French-led Europe will strengthen the West in its struggle with the Communist world. And it's easy to argue that de Gaulle has strengthened the Western

camp by his unexpected success in bolstering French finances and by his firm control over French domestic politics. In Africa, with the exception of Algeria, Gaullist policies are a credit to the Western world. The rub comes when you take a closer look at what the General wants to do with France's newly gained prestige.

## I. De Gaulle's Blueprint

"De Gaulle," Stalin observed at the Yalta Conference, "is not complicated." To the devious Russian leader, de Gaulle's motivations were refreshingly simple in a complicated world. Even today, de Gaulle makes no secret of the fact that he has only one goal—to rebuild French greatness.

What's more, he has even published blueprints against which you can check French maneuvers in foreign affairs. In the third and final volume of his memoirs, published in 1958—after his return to power—de Gaulle outlines this sort of "vast plan" for France:

"France will assure its security in Western Europe by preventing a new [German] Reich from being capable of menacing it. France will collaborate with the West and East, making necessary alliances on either side according to need, without ever accepting any sort of dependency. The French Union will be gradually transformed into a free association with France . . .

"France will lead the states touching on the Rhine, the Alps, and the Pyrenees to group themselves for political, economic, and strategic purposes. Finally, France will make this organization one of the world's three power blocs and—if necessary one day—will be arbiter between the Soviet and Anglo-Saxon camps."

- **NATO Reorganized**—This theme helps explain what the French President meant when he said recently that the U.N. won't work until "Europe organizes and makes its power, reason, and experience" felt in world councils.

NATO, for example, is a military alliance based mainly on U.S. power. Hence, de Gaulle's hearty dislike for NATO's integration concept, his re-



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fusal to permit intermediate-range missiles and U.S. fighters on French soil, his withdrawal of France's small Mediterranean fleet from NATO control. Such maneuvers are designed to pressure Washington into sharing its NATO leadership with Paris.

De Gaulle would like to see NATO reorganized, with decisions made by the U.S., Britain, and—as spokesman for Continental Europe—France. These decisions would not be limited to problems within the NATO region. Instead, the Big Three would lay down Western policy all over the world.

In Gaullist eyes, this policy would be backed not just by the economic and military power of what he calls the Anglo-Saxon camp, but by the economic power of Europe, along with France's developing nuclear power.

• **Opposition**—The French President has an impressive record—until recently—of opposing all the postwar unity movements in Western Europe. Yet, ironically, de Gaulle came back to power just as the most ambitious unity scheme—the European Economic Community—was getting under way.

De Gaulle didn't renege on the Rome Treaty, which established EEC. In fact, its promise of building up the six nations' economic power fitted in with the general's own scheme for a European bloc. Then, too, EEC was in accord with his desire to keep West Germany from wandering off on its own power binge.

• **Political Unity**—But on the political side, the French President has his own project. He has shelved the political integration concept underlying the Rome Treaty. This called for genuine political unity, with a European parliament based on a popular vote and an executive with real or "supranational" powers going beyond those now possessed by the EEC Commission.

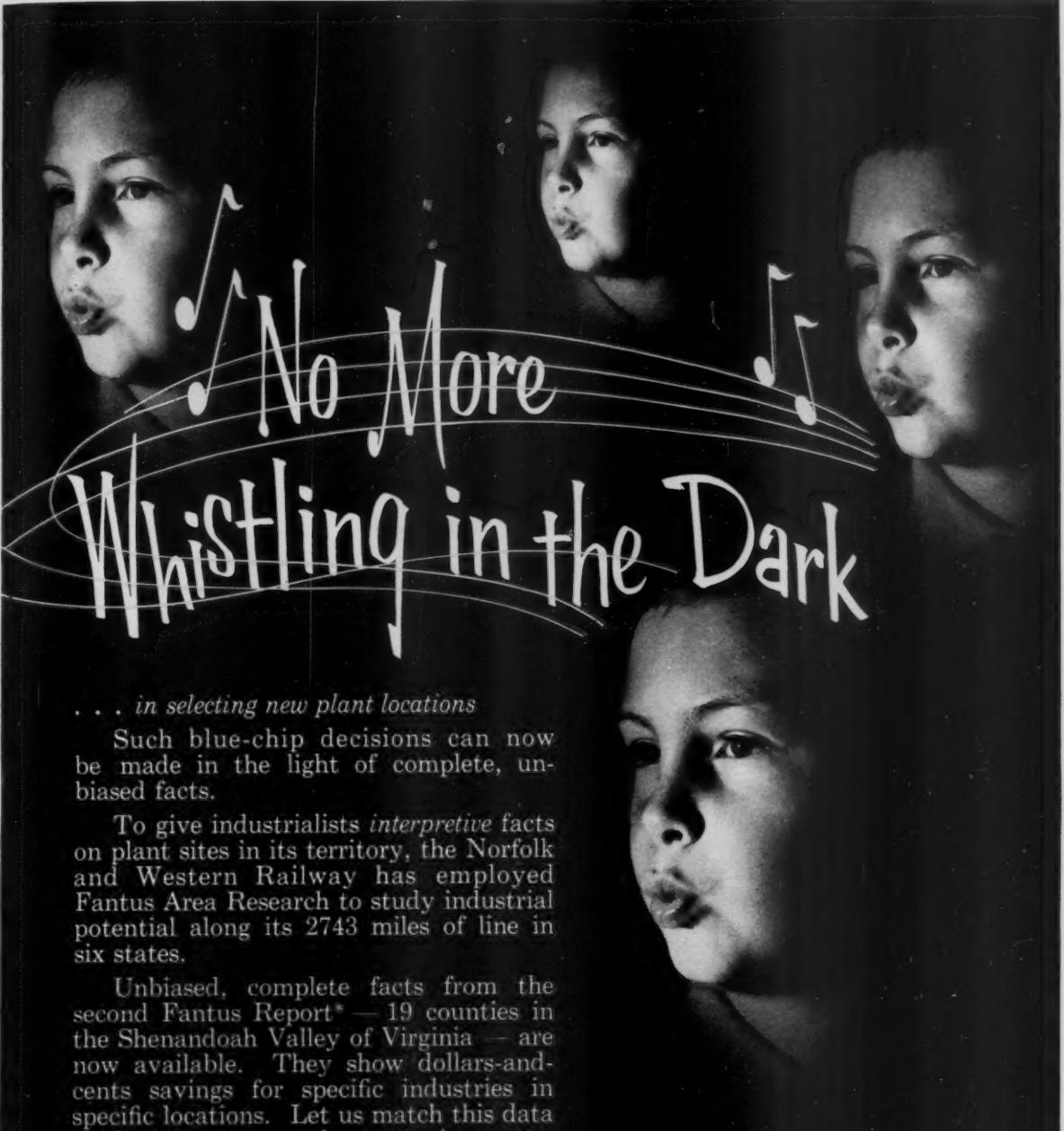
In its place, de Gaulle is plumping for a political "confederation" of Continental European states.

Under this scheme, each nation—initially the six countries now in the Common Market—would keep its political sovereignty. But common political policies would be hammered out at regular top-level sessions of the six governments.

## II. Difficulties Ahead

The main trouble with this Gaullist ambition is that it isn't shared by France's allies. When you run down the list of Gaullist foreign policy goals—in NATO, in the U.N., and within Continental Europe—it's hard to see how the General can be satisfied.

On the NATO reorganization, for example, Kennedy won't go along with de Gaulle's demand for a Big Three directorate, any more than did Eisen-



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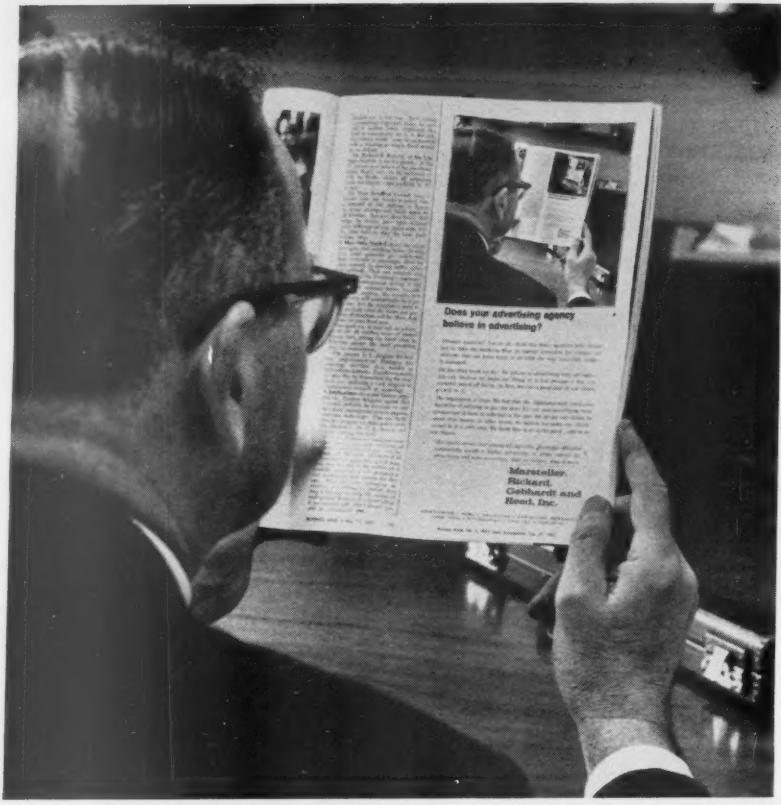
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\* The first report, covering the North Carolina and Virginia Piedmont area, was released last fall.



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. . . the outcome of de Gaulle's power drive rests largely with the European Economic Community . . .

(STORY on page 63)

hower. The new Administration is willing to upgrade the NATO council and discuss worldwide—not just NATO regional—matters at council meetings. But the President isn't buying the Big Three directorate idea.

• **Nuclear Problem**—It's no secret that Kennedy resents French nuclear ambitions. These go against the Administration's apparent desire to keep tight U.S. control over nuclear capability in Western Europe. For one thing, as France becomes a nuclear power, it will be increasingly difficult to keep West German nuclear demands in check.

Then, too, French nuclear goals obviously weaken the U.S.-British position at the Geneva atomic test ban talks.

• **U.N. Gap**—At the U.N. the gap between Washington and Paris is as wide as it is on NATO. Here again, de Gaulle's main complaint is that major Western powers—the U.S., Britain, and France—are being swamped on such issues as the Congo. De Gaulle's solution seems to be for Continental Europe to form itself into a new U.N. bloc to counterbalance the Soviet, Anglo-American and Afro-Asian blocs.

• **Partners Balk**—The outcome of de Gaulle's power drive rests largely with the six nation European Economic Community. If the French President can win over Belgium, the Netherlands, Luxembourg, Italy, and West Germany, then his "third force" concept will mean something.

But earlier this year, when de Gaulle first approached his EEC partners with his political confederation scheme, the reception was cool. West Germany's Adenauer accepted it in principle, but warned that he would drop it if Paris meant to use the new grouping to challenge Washington's Western leadership.

Dutch Foreign Minister Luns, an ardent proponent of European political integration, complained that de Gaulle, having ditched the Rome Treaty's political implications, was now proposing something entirely different. If this is so, the Dutch diplomat argued, why keep a six-nation formula? He then insisted that Britain be invited to join the political talks. This maneuver broke up the initial meeting.

• **British Weight**—If Britain joins either the Common Market or the French political confederation plan, then the "third force" aspect of de Gaulle's European policy will be meaningless. This explains why Kennedy

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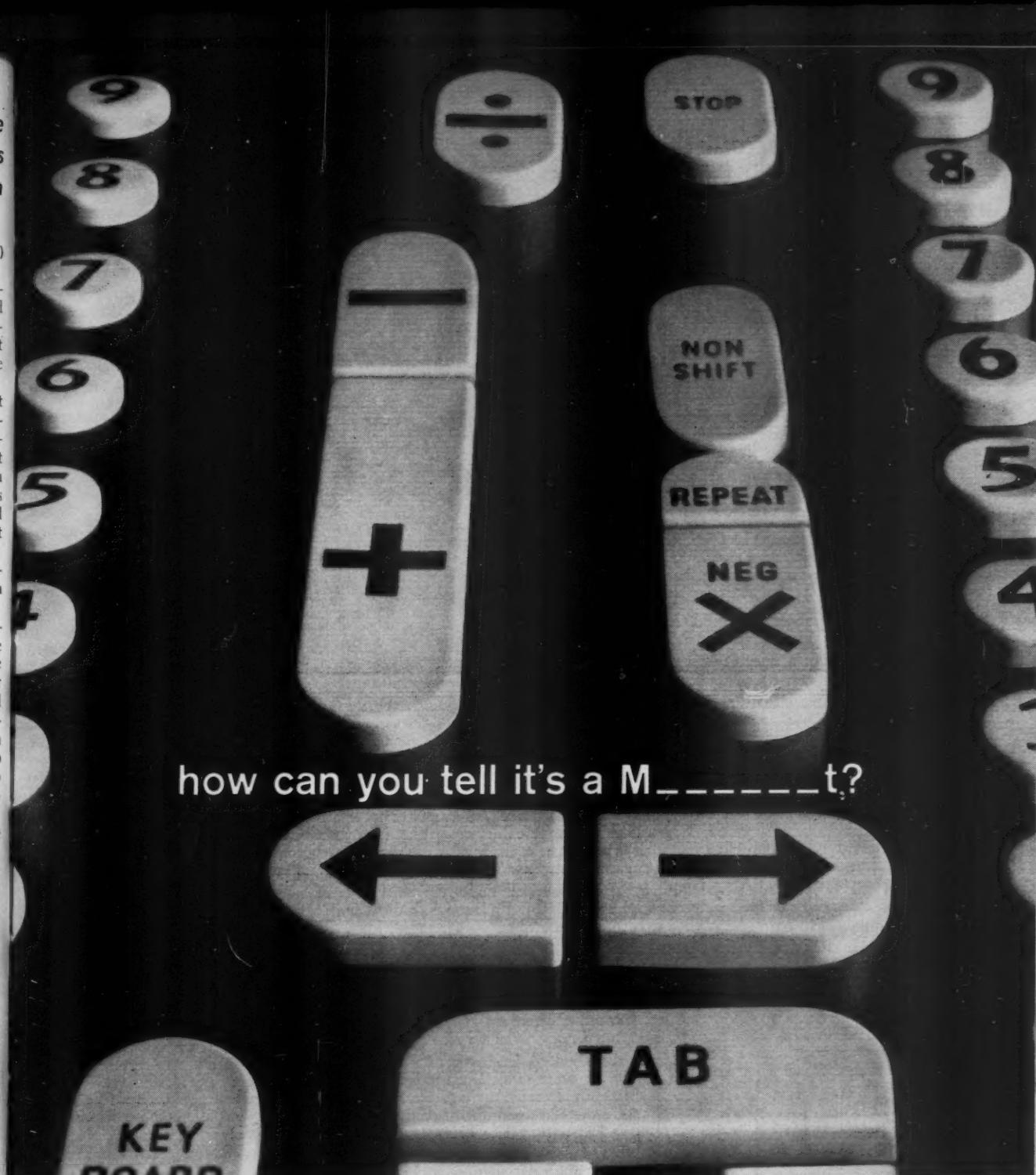
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#### PHYSICAL PROPERTIES

	TEC	TEC-Z
Color	White	White
Melting Point	640°F	480°F
Flow Point	740°F	600°F
Density (Troy oz/cu in.)	4.60	4.53
Electrical Conductivity (Cu=100)	22.0%	20.6%
Electrical Resistivity (Microhm-cm)	7.9	8.4
STRENGTH COMPARISON TEC vs. Pb-Sn		
TEMPERATURE	TEC	Pb-Sn
Room	16,400	2,500
300°F	4,400	650
425°F	2,600	Melts
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and Adenauer have been pressuring Britain to move closer to Europe.

Look at the relative economic weights of France, West Germany, and Britain, and you can see how the power base would shift in any deal linking Britain with EEC nations. As of now, France—with a work force of 20-million and a 1960 gross national product of \$554-billion—admittedly is still runner-up on West Germany. The German work force totals nearly 25-million, and its 1960 GNP was \$62-billion. But France, with the fastest growing European population after nearly half a century of population stagnation, is betting it can close the gap between its economic

power and that of West Germany's. This French view gets support from a preliminary estimate made for the forthcoming Twentieth Century Fund study, Europe's Needs and Resources. In the decade of the 60s, according to the estimate, France's GNP will grow considerably faster than West Germany's.

With Britain in, the picture changes. Its work force of 25-million gave Britain a GNP of \$63-billion in 1960. This means that Paris would have two major economic powers to contend with. Britain's entry into Continental Europe would, of course, also mean the end to France's claim as a unique nuclear power.

## British Budget Incentives

Surtax on earned income cut sharply in hopes of spurring economic growth. At the same time Lloyd includes a pair of "regulators" to safeguard the pound.

Chancellor of the Exchequer Selwyn Lloyd surprised Britain this week with a budget that combines new incentives to encourage economic growth with an over-all budgetary restraint that's meant to safeguard the position of the pound. The budget, Lloyd's first since he moved to the Treasury from the Foreign Office, also includes two new "economic regulators" that show an experimental bent on his part and that of Sir Frank Lee, the top Treasury civil servant.

The big new incentive is a sharp reduction in the personal surtax on earned income. Four out of five persons now paying the surtax—those with incomes of between \$7,000 and \$14,000—will be exempt. At the same time, effective personal tax rates (income tax plus surtax) are reduced for the brackets above \$14,000.

• Middle Ranges—This change is meant to give relief for the middle and higher ranges in British management and the professions, and thus make the British economy more dynamic. It's also intended to eliminate all the elaborate efforts that have been made in recent years to transform income into capital appreciation and to load business expenses. A capital gains tax to balance the surtax cut had been discussed in the government, but Lloyd rejected it for the time being. However, the loss of surtax revenue is to be offset by a 2½% hike in the corporation profits tax, bringing total British company taxes to 53½%.

As for restraint, Lloyd is figuring on a surplus in the current budget of about \$1.4-billion as against last year's estimated surplus of around \$400-million. The over-all deficit—this includes the capital budget—is down to the lowest figure for many years—low enough so

that the British Treasury won't have to go to the market for any new money during the next year.

The new economic regulators are generally regarded as the most interesting features of Lloyd's budget. As a means of controlling consumption, he has asked for authority to cut or boost at will by 10% almost the entire range of indirect taxes, including purchase taxes and excise duties. The items most affected would be tobacco, alcoholic beverages, and gasoline.

• Payroll Tax—Then, as a means of preventing manpower hoarding in labor-short industrial areas, the Chancellor is asking for power to introduce at any time a payroll tax on companies of up to 58¢ per employee per week. This might cost a company employing 1,000 workers as much as \$30,000 a year and could bring in as much as \$560-million a year to the Treasury.

By calling for these innovations, the British government clearly intends to put less reliance on monetary measures including installment credit variations, and more on fiscal weapons. The Treasury seems to have taken over from the Bank of England more of the responsibility for regulating the economy. In doing so, it is acknowledging that in an era of convertible currencies there are limits on how far a major country can push interest rates up or down for domestic purposes.

From the Labor opposition has come the obvious criticism that this is a "rich man's budget." From business the complaint is that the surtax reductions will be paid for by still higher company profits. But the London stock market is encouraged by the surtax cut and the absence of the half-feared capital gains tax. **END**

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# In Business Abroad

## Britain Improves Export Credit Services With Lower Rates, Increased Coverage

Exporters are starting to worry about what looks alarmingly like the beginnings of an international export credit race.

Just two weeks after Washington's announcement of the new Export-Import Bank export financing and guarantee plan (BW—Apr. 1'61, p37), Britain announced substantial improvements in services offered by its Export Credits Guarantee Dept. ECGD's new emphasis is on capital equipment and on encouragement to small businesses to get into the export field.

The ECGD changes are under three headings:

- ECGD's insurance premium rates on medium term credit, usually six months to five years, are being reduced by an average of 25%.
- For large capital projects involving more than \$5.6-million, ECGD will, at its discretion, guarantee financing for longer than the present maximum of five years. In some cases it will even extend government loans. Types of projects eligible for this extended coverage are: power stations, steel mills, complete factories, and ocean going vessels.
- A new simplified procedure will be available to firms exporting less than \$28,000 annually. It will provide six months cover for up to 90% of their total export sales for a flat premium rate of \$2.10 for every \$280 worth of goods insured.

British businessmen have long complained that they suffered from poorer terms on export financing than some of their major competitors, notably the U.S. and West Germany. Over the past year or so, the British government has taken several steps to improve ECGD terms.

With this latest and broadest move, Britain is now in the position of having facilities equal to any country—and in many cases much better.

British lending institutions have responded quickly to ECGD's new scheme for long-term export financing.

Lazard Bros., British merchant bankers, has announced the formation of a consortium of 28 insurance companies that will provide \$32.2-million for long-term loans to purchasers of British capital equipment.

## Trade Fair Gives Foreign Manufacturers

### A Chance to Show Their Wares in Japan

Foreign exhibitors flocked to Japan's annual Industrial Trade Fair, which opened in Tokyo this week. They anticipate a big upswing in sales to the Japanese market as postwar import restrictions are lifted in coming months. The Japanese government has promised to do

away with 90% of its quotas and other restrictions on imports within the next two years.

Main exhibitors at the fair are from the U.S., Australia, West Germany, France, and the Communist states of Czechoslovakia and East Germany. Communist China, Hong Kong, Mexico, and Spain are represented at the fair for the first time. Besides, more than 1,000 Japanese companies are participating.

Fair officials estimate that \$70-million worth of transactions will take place during the three weeks of the fair. More than 2.5-million spectators are expected to attend.

Although the products on view range from consumer goods to machine tools and heavy electrical equipment, nonconsumer items account for about 75% of the total.

## 48 U.S. Companies Set Up Operations in Belgium in 1960

Belgium is attracting lots of U.S. investment capital. Last year, 48 U.S. companies established operations in the country. Their total investment ran, conservatively, to \$50-million.

Led by such companies as Alleghany Ludlum Steel Corp. and Johns-Manville Corp., 30 U.S. companies set up manufacturing operations and 18 signed manufacturing agreements or opened sales offices. By area of industrial activity, metal-working operations account for 42% of the total investment, chemicals 17%, steel and nonferrous metals 16%. The rest is scattered.

The major factors encouraging this new investment include Belgian membership in the six-nation European Economic Community (EEC), tax incentives, and other concessions. But of equal importance is Belgium's large supply of skilled workers and technicians. Of the 123,000 unemployed Belgians, some 25,000 are considered skilled; many of these recently returned from the Congo.

## Reduced Deductions for Executive Cars May Hurt Rolls-Royce Sales in Britain

For years now, British corporate executives have been able to write off the prices of their Bentley and Rolls-Royce automobiles. Under British law, they were considered "allowable capital expenses." This write-off is no longer possible.

One of the tax changes announced in the new British budget (page 68) sets \$5,600 as the top price for an automobile that the Board of Inland Revenue will allow as a chargeable capital expense. This figure includes the British purchase tax for automobiles, which runs around 50% of the basic price.

With Bentley and Rolls-Royce prices, including tax, running anywhere between \$18,000 and \$29,000, it's doubtful that these automobiles will remain the British executive's favorite means of locomotion.

This, according to experts in the automobile industry, means that Rolls-Royce and Bentley will probably get more actively into the export market.

## RESEARCH

# Mighty Power in Small Magnet

**Small electromagnet made of alloy that's superconductive at cryogenic temperatures will develop a strong magnetic field from a small jolt of power. And it sustains its magnetism after the current has been turned off.**

For more than 2,000 years, men have been puzzling over the phenomenon known as magnetism, and piecing together knowledge about it.

The early Greeks spoke of the lodestone (a mineral oxide of iron) and its ability to attract iron. In the 11th Century, by the old accounts, seafaring Moslems discovered at least one practical use for magnetism—in a compass for a ship sailing between China and Sumatra. In 1820, scientists found that an electric current would affect the behavior of a magnetic needle—the basic discovery that opened the age of electricity.

The lodestone and the compass needle, like the toy horseshoe magnets you can buy at the five-and-dime, are permanent magnets, given magnetic properties by their molecular makeup. Incomparably more important to industry is the electromagnet, which gets the main power of its on-off magnetic field from a current of electricity. Typically it consists of an iron core in a coil of electrically conductive wire.

Right now the way is opening for a new kind of magnet; one that starts off with a small amount of power at an extremely low (cryogenic) temperature but continues as a powerful permanent magnet after its power source is removed, as long as its temperature is kept low enough and as long as its magnetic field isn't disturbed. Among other uses, this magnet may someday serve to harness the mighty energy of hydrogen fusion.

• **Making It Possible**—Discovery of real potential of the magnet by Dr. Stanley H. Autler of Massachusetts Institute of Technology's Lincoln Laboratories (picture) was made possible by two successes:

- In applying to magnetism the knowledge that has lately been built up about superconductivity—the ability of certain metals at cryogenic temperatures to pass an electric current along with no resistance, in contrast to their behavior at normal temperatures.

- In the development, by others, of the metal alloys to take advantage of this ability.

Autler was working on a study in which he needed small but powerful electromagnets. Working with cryogenic temperatures, he noticed that,

after the current had been turned off, these electromagnets acted as permanent magnets. With merely an initial jolt of current, they were able to maintain a magnetic field with no further outside power source.

• **Cold Magnets, Hot News**—This discovery created a stir in the scientific world. Admittedly, Autler's first magnets were small—with about the same power as a pocket magnet—and were more of a laboratory curiosity than a commercial component. But the fact that they would maintain a magnetic field with no power at all, when it takes a lot of electricity to maintain the field of a strong electromagnet, pointed to exciting scientific implications.

Their power alone was surprising in view of their small size. "Two years ago," says Autler, "no one would have believed that a superconducting magnet could have generated more than 200 gauss." (A gauss is a unit of measurement of the intensity of a magnetic field.)

To match this, a conventional electromagnet would require enough power to heat 2,000 electric irons simultaneously, and it would need an elaborate water-cooling system. By comparison, it is relatively easy to keep a pocket-sized magnet with the same force field at cryogenic temperatures.

• **Scaling Up**—Once the theory has been established, there should be no fundamental obstacle to building supermagnets of larger size. In fact, it looks as if the force field could be increased without any increase in size of the magnet, simply by choosing metals that have better superconductivity. These magnets should be relatively simple to design and cheap to operate.

In his early experiments with electromagnets at cryogenic temperatures, Autler used a coil of niobium, an uncommon metal, and was able to get magnetic fields up to 10,000 gauss. Beyond this force, his coil began to lose its ability to conduct electricity. Then he found that by winding the niobium around a core of an iron alloy, he could bring the field up to 25,000 gauss without beginning to lose conductivity.

Labs all over the country, including Bell Laboratories, the National Bureau of Standards lab at Boulder, Colo., Princeton, Oak Ridge, Los Alamos, and



DR. AUTLER shows use of 6-oz. superconducting coil (white area) in maser. Coil provides magnetic field of 6,500 gauss, with just a 1½-volt dry cell to start current.

Livermore, Calif., started their own big research programs (since augmented by other of the nation's major industrial research labs). Physicists at Bell who had been studying superconductivity of various materials dug into their files and found a pertinent report, written in 1954.

• **Materials Problem**—According to this report, an alloy of three parts of niobium to one part of tin had one of the highest superconductivity transition points ever recorded—17.9 degrees



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Kelvin (about -427F). The transition point of a metal is the temperature below which it becomes superconductive; the higher it is, the more power can be put into the coil without loss of conductivity.

This compound of niobium and tin looked like a perfect candidate for Autler's supermagnets—until further research showed it was too brittle to be wound into a coil. Now, however, this problem seems to have been solved neatly, too.

The Feb. 1 issue of *Physical Review Letters* reported success at Bell in making niobium-tin wire by encasing twisted wires of the two metals in a niobium sheath, drawing it into wire, and then heating it after it is wound in a coil to fuse the metals in the desired alloy of three parts niobium, one part tin.

So promising are early experiments with this wire that Autler says: "It is a better than even bet that someone this year will be able to produce a working magnet of 50,000 to 100,000 gauss." Bell promises more of the wire for test purposes very soon.

- **Potential Uses**—In anticipation of the day when the superconducting magnets will be commercially available, scientists are playing a heady game—guessing where the magnets will find their first great uses.

One sure use will be in masers, in the communications field. The crystal maser (BW—Feb. 4 '61, p20) operates at cryogenic temperatures (it is cooled by liquid helium in laboratory practice) and it contains an electromagnet. So it is a natural; replacement of the electromagnet by the much smaller superconductive magnet would make a maser less bulky, simpler, and cheaper.

Such a maser using an ordinary electromagnet has already been used by Lincoln Lab scientists to detect radar signals bounced from Venus—a long-distance communications record of 51-million mi.

- **Power From Atomic Fusion**—Eventually, though, the most important use of superconducting magnets will certainly be controlling nuclear fusion for peaceful power (BW—Aug. 22 '59, p38). The big problem here has been to find a way of sustaining the fusion process in hydrogen plasma (hydrogen gas ionized at temperatures of millions of degrees) without letting the heat destroy the container.

The most promising approach has been the use of high-intensity magnetic fields, 20,000 gauss or more, to hold the plasma away from the walls of the container. But it has been fantastically expensive to build equipment to provide this magnetic field, even for research.

At Princeton, for example, the stellator recently built for study of plasmas uses a 200-megawatt conven-

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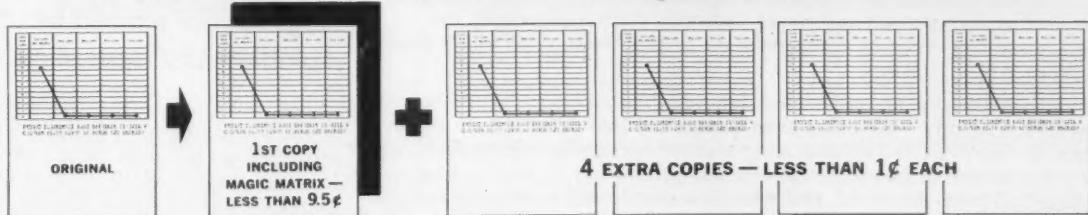
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# Rockwell Report



by W. F. ROCKWELL, JR.  
President

Rockwell Manufacturing Company

**C**HANGING HORSES IN MID-STREAM is one thing. Changing the rules in the middle of a ball game is quite another. Yet this is what seems to be reflected in current attitudes toward U.S. corporations that previously have been encouraged to do business with the world at large through foreign subsidiaries.

In recent months, the phrase, "tax haven" has appeared in the U.S. press with increasing frequency. This refers to certain low-income-tax foreign countries where many American companies have subsidiaries. The obvious implication of the phrase denotes tax avoidance, with further implied overtones of outright dishonesty.

Cutting through all the complicated red tape of confusion on this subject, one simple fact cannot be clouded: a stockholder of a U.S. company with a foreign subsidiary derives absolutely no income from the operations of that subsidiary until the profits are returned to the U.S. company. And when he receives dividends from foreign profits, *they have been fully taxed at the U.S. rate.*

Thus, at the very worst, this so-called "loophole" in the law permits tax deferral, *not* tax avoidance. And the legal conditions which have now brought on such currently fashionable terminology as "loopholes" and "tax havens" are not new.

Tax deferral legislation was enacted by Congress in an atmosphere of sincere desire to stimulate the economies of friendly nations, to raise productivity and living standards abroad, and, in the process, to help "sell" the American way of life and promote the growth of U.S. business overseas.

*Now it is suggested that tax laws be changed, which will prevent or discourage retention of foreign earnings (tax deferment), and which can only discourage foreign investment. What the proponents of these suggestions fail to realize is that this country is too deeply entrenched in world affairs now to curtail these activities without profound repercussions. If we are to compete in world markets and encourage the economic development of undeveloped nations, we must give incentives and encouragement to private investors. Such investments will, if successful, result in the profits being returned to this country, at which time they will be subject to U.S. tax.*

In the light of the changes of the past few years, it may now be necessary to review—even modify—the rules, even though the ball game is well under way. Isn't it, however, unfair and short-sighted to condemn as selfish or dishonest the American businessmen who have caused U.S. trademarks to be recognized all over the world, and who have previously been encouraged to do so through the utilization of tools provided by the legislators of their own government?

\* \* \*

We have just issued our Annual Report covering our operations for 1960. Despite the fact that some of our key markets were hit by the economic downturn, the diversity of our interests provided the base for the third best year in our history. Needless to say, if you are interested in our 1960 operations, we'll be pleased to send you a copy.

*This is one of a series of informal reports on*

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tional power source that cost about \$40-million to build, but is able to test only a small volume of plasma at a time. A full-scale model would be impractical, both from cost and from power demand. However, a superconducting magnet, needing no water-cooling ducts and virtually no power, might reduce the stellarator to reasonable practicality and cost. Necessity of maintaining cryogenic temperatures around the magnets shouldn't pose any serious problem.

One step remains—to make the niobium-tin alloy more pliable, more resistant to deterioration under high-intensity magnetic forces, and more structurally stable under force. Dr. Autler describes this as "an exciting working and waiting period."

• **Air Force Lab**—Spurred by the recent discoveries, the Air Force will finance a national laboratory of magnetism to be built at MIT. Estimated cost will be \$9.5-million and the lab is due for completion by 1963. Prof. Francis Bitter, pioneer in study of highfield magnetic phenomena, will direct a project to build a 250,000-gauss continuous-field magnet for more intensive research.

This magnet will have 500,000 times the strength of the earth's magnetic field—the force that makes a compass needle turn north. It will be used to study the behavior of atoms in the three principal states of matter: solid, liquid, and gaseous.

## Polluted Air . . .

. . . plays key role in development of cancer in lungs of mice scarred by other maladies, USC tests show.

Tests on mice at the University of Southern California Medical School show that air pollution plays a key role in lung cancer, which will strike an estimated 44,000 Americans this year. When smog is inhaled by mice whose lungs have been scarred as an aftereffect of influenza or pneumonia, the mice almost invariably contract lung cancer, according to USC's Dr. Dean V. Wiseley. Apparently, a structural change is brought about in lung tissue as a result of scarring. This cellular change provides a ripe site for the cancer-causing agents in smog. Malignancy sets in.

The lung scar theory in lung cancer isn't new. Almost a decade ago, Yale's Dr. Milton C. Winternitz suspected a connection between scar tissue and lung cancer. Statistical surveys, run on thousands of human flu victims, failed to support his claim, however.

In the USC tests, the double connec-

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tion appears to be clear-cut. Mice whose lungs have been permanently scarred almost always come down with lung cancer in an environment of artificial smog. Those whose lungs are not scarred seem to be able to resist lung cancer even in a smoggy atmosphere. Those whose lungs are scarred, but who live in filtered air, likewise rarely develop lung malignancies.

Wiseley says that the California research in no way proves that scar tissue plus smog is the only cause of lung cancer. But it is a pretty clear warning of the dangers in areas of heavy smog concentrations.

**• Auto Fumes**—In Los Angeles, the chief cause of smog has been tagged as automobile exhaust. Air pollution experts estimate that automobiles pump roughly 1,000 to 1,200 tons of hydrocarbons each day into the Los Angeles County atmosphere. As a result, the legislature has voted to make exhaust control devices for cars compulsory just as soon as the Motor Vehicle Pollution Control Board can decide which devices are effective.

At least two companies—of more than 20 working to develop exhaust control devices—have already submitted their plans to the Control Board. But deciding may be difficult. The problem of exhaust control is tricky by nature. Changing the makeup of the fuel isn't much help without a major change in auto engine design; purifiers are bulky and difficult to design; direct afterburners require preheated air and operate at relatively high temperatures; and catalytic afterburners have been both fairly expensive and not durable.

## Non-Profit Research Faces Congress Inquiry

The House Science & Astronautics Committee, headed by Overton Brooks (D-La.), is taking a hard look at non-profit research organizations—especially those running big programs for the military and space agencies. A key point is the salaries the organizations pay to their professional staffs.

Non-profit research outfits have boomed in the past decade. Many came into being fundamentally to take advantage of federal contracts—which not only involve basic research but also often include the technical direction and systems management of rocket and missile programs.

Right now, committee counsel Spencer M. Beresford is touring the country to get first-hand knowledge of how the non-profit organizations operate. What he turns up will determine whether a full Congressional investigation will be launched.

**• Questionnaires**—Detailed question-

# At last a low-cost, private TV system to cut costs, increase efficiency

New Sylvania "Direct-Wire" TV goes to work for as little as \$2150 a month...and look what it can do:



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naires have gone out to most major outfits already. The answers will be disclosed at public hearings to be held in Washington by early summer.

Tax exemption and public availability of the scientific results developed in programs under government contract are sure to crop up, although they are not the main reason for the inquiry. Alleged tax abuse by various non-profit groups with contracts that pay them cost-plus-fees has long been a sore point in the scientific community. It is charged that the system offers scant incentive to the various institutes to run low-cost research projects.

Another charge that the Brooks committee will check is that there has been partisanship on the part of one or more branches of the armed services in the award of research contracts to the non-profit organizations.

Still another charge is that some well-paid officials of the non-profit outfits hold other jobs with profit-making corporations—corporations that are handed large subcontracts by the non-profits.

• **Tax Question**—The non-profit institutes maintain that the Brooks investigation will clearly show their innocence on all of these charges. Stanford Research Institute, for example, became a taxpayer just this year.

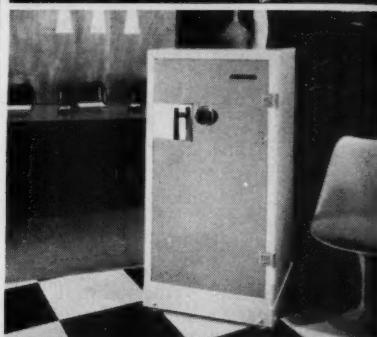
Its tax status has long been a sore spot with commercial laboratories. But more recently, SRI claims some of the bigger professional management consultants joined the chorus of critics because they felt that SRI's deep involvement in economic research cut directly across their path.

SRI probably forestalled some of the criticism by renouncing its exemption from local and state taxes from the time it operated in 1947. Then, several years ago, the Internal Revenue Service began to audit the annual returns of SRI and other non-profit research institutes with an eye on how much of their revenues were derived from activities that could be construed as in the public interest and how much came from proprietary work.

In the fear that whopping taxes might be assessed retroactively, SRI in 1958 urged the Senate Finance Committee to clear up ambiguities in the law and to terminate the exemption on its proprietary income. The Senate didn't act, but meantime Internal Revenue responded to SRI's urging by revising its interpretation of the tax code. Effective Jan. 1, 1961, SRI and other non-profit institutes began incurring liability for federal tax on proprietary income. In SRI's case, the tax could run upwards of \$150,000 a year.

Depending on what the Brooks committee turns up, this could be just a start of a general reconsideration of the complete status of the non-profit research organizations in the U.S. **END**

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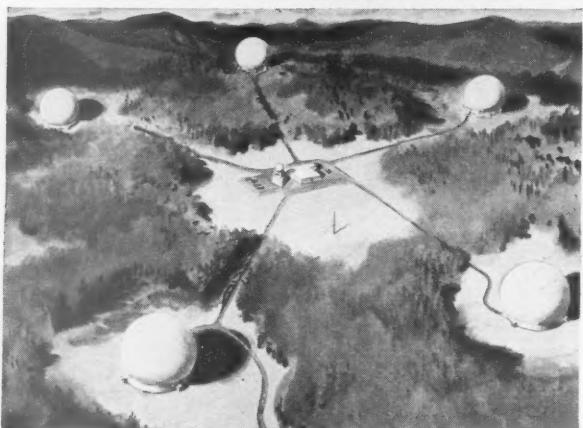
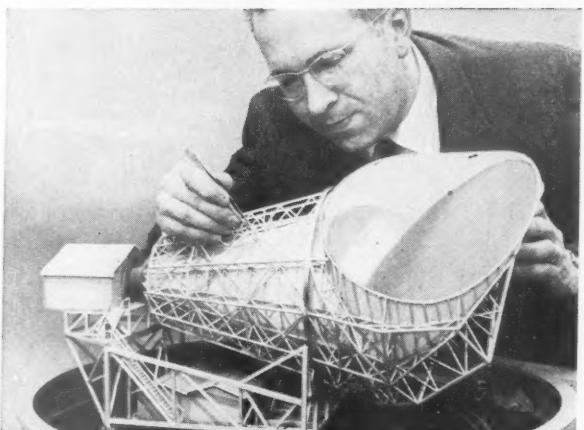
\*According to a recent survey by Walter Gerson & Associates, Inc.

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# In Research

• • •



## AT&T Plans Giant Rotating Antenna As First Step to Satellite Network

A 250-ton steel and aluminum rotating antenna (upper picture) will be completed this year as the first step in American Telephone & Telegraph's drive to speed research and development on an active satellite communications system. The antenna, 177 ft. long and 894 ft. high, is a larger version of the horn antenna that Bell Labs operates at Holmdel, N. J. It will be covered by a radome supported by air pressure, about as high as a 13-story building. James E. Dingman, AT&T's chief engineer, says the company plans four more radome and antenna setups for commercial purposes at its site in Maine (lower picture). The first antenna has been offered part-time on a contract basis to the National Aeronautics & Space Administration for research work.

NASA says it is interested, but will take until late May or June to make a firm decision, after it decides which company proposal to accept for the first active communications satellite design (BW-Mar.11'61,p117). Among the proposals submitted were:

- A low orbiting satellite system offered by AT&T, which would involve firing 40 to 50 satellites into polar orbits. AT&T says this could be done with existing

rocket systems, and would make possible an active communications system within two or three years.

• A General Electric project calling for far fewer satellites—perhaps only 10. But the satellites would have to maintain a very exact geometrical relationship to each other, a feat that many scientists think would be very difficult with current U. S. rocket boosters.

• An RCA proposal—calling for the firing of three synchronized “hovering” satellites to a height of 22,000 miles—is considered an even tougher test of present rocket and missile capabilities. The simplest way to get such satellites into position would be to fire them from large orbiting space platforms, which won't be feasible for the U. S. until about 1965.

The people at Bell Labs admit that their low orbiting active satellites—with their short life expectancy—may have to be replaced some day by a high-altitude system. But they point out that it is well within present capabilities to get a working satellite into the 5,000-6,000-mile range, and that with low altitudes there will be no problem of transmission delay.

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## Oral Contraceptive for Dogs

### Called 100% Effective at 15¢ a Day

After three years of intensive laboratory study, the Upjohn Co. of Kalamazoo, Mich., revealed the development of a new veterinary hormone this week. Called Prodox, and known chemically as hydroxyprogesterone, the drug is an oral contraceptive for dogs. It is the first successful oral preparation of its kind and has been used to keep bitches out of heat for as long as two years.

According to Dr. Gordon G. Stocking, director of Upjohn's Veterinary Div., Prodox is a synthetic version of progesterone—one of the hormones that regulates the human female reproductive system. It's 100% effective and has produced no ill-effects on 200 or more dogs on which it has been tested.

As a result of its findings, says Dr. Stocking, Upjohn is making the product available through veterinarians. He estimates that there are 6-million to 8-million female dogs in the U. S. that are potential candidates for the drug. At an average dosage costing 15¢ per day, this could add up to a multi-million dollar annual market for Upjohn.

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## Research Briefs

The creation of element 103—an element that, according to one theory, existed only for a few weeks after the creation of the universe—has been announced by a team of researchers at the University of California. Element 103 has no direct practical application, but its identification should contribute to man's fundamental understanding of matter and its properties.

A seismograph, placed three miles below the surface of the Atlantic Ocean by Columbia University scientists, has made its first recording of an earthquake. The acoustics proved so excellent, according to Dr. Maurice Ewing, that this new technique may well soon lead to important new information about the earth's structure.

# In Marketing

## GE Returning to Color Television; Claims Improved Product, Servicing

General Electric Co. is getting back into the color television field. Its Television Receiver Dept. will introduce color sets to distributors in late May, to consumers in August. This is GE's first bid for this market since it got out of color in 1956, and follows hard on Zenith's entry earlier this year (BW-Mar. 11 '61, p87).

The GE line, using a 21-in. shadow mask picture tube, features a color balance stabilizer, developed by GE, which it claims overcomes the problem of changes in color hue as the picture brightness changes.

S. Martin Fassler, marketing manager of the TV Receiver Dept., said the company believes that "color television is now entering the initial phase of mass market acceptance." The company adds that dealers are clamoring for color—at least to display—to stay in the competitive picture.

Prices, not yet announced, will be "competitive."

From GE's description of the new sets, it looks as if they do not represent the breakthrough in technology and price many observers consider essential if color TV is to snare a mass market.

Besides GE, companies now in color TV, or about to be, are Admiral, Emerson-Du Mont, Magnavox, Curtis Mathes, Olympic, Packard-Bell, RCA, and Zenith. Sylvania has said it may well get on the bandwagon before the yearend.

## New Allied Stores Division

### Will Open Discount Houses

Allied Stores Corp., one of the leading department store chains in the country, is going into what it calls a "mass merchandising, simplified selling operation." In trade parlance, this translates into discount house.

Last week Allied Pres. Theodore Schlesinger announced that the company is setting up a new division, Almart Stores. Almart will be a completely separate entity, with its own New York headquarters; it will not be related to Allied's merchandising and operating policies in existing units. The Almart Stores will be full department stores, with primary emphasis on fashion and price.

The company is not ready yet to amplify on what it means by mass merchandising or simplified service. Neither is it talking specifics on timing and location. It does say the units will be established in various sections of the country—including markets where Allied now has no stores. It adds that it will announce the first location shortly.

The company stressed that the major part of Allied's investment and programming will continue to be in its present group of department stores. Thus, it plans a new unit of Maas Bros. in Clearwater, Fla., a substan-

## MORE NEWS ABOUT MARKETING ON:

- P. 92—Two U.S. World's Fairs beat the drums for business.
- P. 102—Advertisers see better weather ahead.

tial increase in its St. Petersburg store, a new Gertz store on Long Island, N. Y., and a new Joske's in Houston.

The company looks to Almart to help it explore possibilities in this field without fundamental changes in existing operations. It may be, though, that its experience with Almart will suggest "customer appealing techniques" that could be applied to other Allied department stores.

• • •

## FTC Charges Three Publishers

### With Discrimination Among Customers

The Federal Trade Commission last week moved against three publishers, charging that they had discriminated among their customers in paying promotional allowances, in violation of the Robinson-Patman Act.

Targets were Golden Press, publisher of children's books; Grosset & Dunlap, publisher of Wonder Books and Treasure Books, and owner of 50% or more of the other two companies; and Holt, Rinehart & Winston. The FTC complaints alleged that each company has paid allowances to some customers but did not make them available to all other customers competing in distributing its publications.

While the publishers did not concede that their practices violated the law in any way, chances are that they will settle the case—as earlier cases have been settled—by consent orders, according to a legal counsel for one of them. Another of the publishers, however, had no comment.

• • •

## Cincinnati Retailers Support Blue Laws;

### Will Stop Taking Phone Orders on Sunday

While retailers are waiting for a decision from the U.S. Supreme Court on Sunday blue laws in several states, Cincinnati merchants have taken a step on their own to slow down one form of Sunday selling.

The Cincinnati Retail Merchants Assn. announced last week that its members who have been taking Sunday telephone orders will call a halt on this practice on May 1. At the same time, the association was readying a drive to win public support of closing "nonessential" businesses on Sunday.

A spokesman for the association pointed out that telephone shopping on Sunday has not generally been construed as doing business on Sunday. Merchants fighting the blue laws, though, have charged that this practice is a way for big retailers to get Sunday business even though they are closed.

# U.S. World Fair

This week the New York World Fair 1964-65—in a fanfare of promotion that was to include tugboat rides to the fair site, a luncheon, and a view of the grounds for invited guests from a newly built construction tower—staged a Preview Day “celebrating three years to opening day.”

The day before, 3,000 miles away Seattle began its Preview Year promotion for the Century 21 Exposition scheduled to open Apr. 21, 1962.

• **Rival Drums**—Both events were just another part of the constant drum-beating necessary for any fair to rouse the enthusiasm of the public and, more importantly, of private industry—which always pick up the biggest tab. But the overlapping promotions also dramatized an undercurrent of rivalry between the Seattle event and New York’s mammoth redo of its 1939-40 world’s fair.

Actually, since the Seattle fair will have long since closed by the time New York’s opens, there is no real clash between the two. Yet in the bid for attention and participation of industry and the world at large, each is supremely conscious of the other.

The two fairs have much in common—exhibits, new buildings, entertainment, cultural activities, everything that typifies an exposition. Both will emphasize science and technology. Seattle’s Century 21 Exposition’s theme is “Man in the Space Age”; New York’s theme is “Man’s Achievement in an Expanding Universe.”

• **Scope**—But there are important differences, too. One, as you might expect, is just plain size. The New York World Fair is billing itself as a billion-dollar event, stretching its construction figure a bit to include the new Throgs Neck Bridge linking the Bronx and Queens and its approaches to the fair site at Flushing Meadow (\$120-million), the accelerated federal-state arterial highway program (\$95-million), and the new National League stadium (\$17-million).

Even without those figures, the 1964-65 fair is planned as a whopper with exhibitors and concessionaires alone expected to lay out \$550-million. It will cover 646 acres at Flushing Meadow, using the same sites and some of the same facilities as the 1939-40 fair.

It also has a working arrangement with the city’s big Lincoln Center of the



## Seattle's Century 21 Exposition

Pres. Joseph E. Gandy (left) and Co-Manager Ewan C. Dingwall of Century 21 Inc., get a preview of how the fair will look when it opens Apr. 21, 1962. Highlight of the 74-acre exposition will be the \$9-million federal science building.

# World Fairs Start Beating Their Drums

Performing Arts, which will be finished in 1964.

Seattle's exposition, just a mile from the outskirts of the city's downtown center, covers 74 acres with a total investment of something like \$80-million. Though far more modest than those boasted by the New York fair, these figures represent a major undertaking for a city with a population of less than 1-million.

And Seattle can make one claim that New York can't match: Unlike the New York event, its fair is officially recognized by the Bureau of International Expositions in Paris, which means the bureau's 30 member nations can participate with government-sponsored exhibits.

## I. Born in Controversy

While Century 21 has been surprisingly free of any serious infighting since it was first conceived in 1955, at the outset the New York World's Fair had to vie with Los Angeles and Washington, D. C., for endorsement by the U.S. government. It won that battle when Pres. Eisenhower appointed a commission to settle the squabble (Pres. Kennedy subsequently gave New York his blessing, too).

• **Moses Maps Tactics**—The New York fair has ubiquitous, strong-willed Robert Moses as its head—at once both its biggest asset and its lightning rod for criticism. There have been a number of public skirmishes. The fair argued with the Paris fair bureau, but failed to win even the informal recognition granted to the 1939-40 fair.

There were several reasons: Seattle got the nod first, and under Paris rules only one fair in ten years can win sanction in any one country. Besides, international fair rules limit an exposition to six months—and New York was determined to have a two-year affair. And finally, the fair corporation is charging any participating government for space—again, against international rules.

There have also been hassles with some architects and industrial designers, who think Moses is going to wind up with a hodgepodge of buildings and an unimaginative theme-structure—the Unisphere (cover), a stainless steel 120-ft.

## New York World's Fair 1964-65

Pres. Robert Moses (left), Bernard F. Gimbel, chairman of the organization committee, and Thomas J. Deegan, Jr. (right), chairman of the executive committee, check model of \$1-billion exhibit that will rise in Flushing, on site of 1939-40 World's Fair.





## Baltimore can pour more steel in a year than the auto industry uses

**FRESH FROM THE FURNACE** is the way you get steel, when your plant is in or near Baltimore. If your product calls for steel, it's available *locally* . . . from America's biggest steel plant, with a capacity approaching 9,000,000 ingot tons. A couple of the nation's top stainless steel producers are here handily, too . . . along with fabricators of steel and other metals, processors and manufacturers of other materials too numerous to mention. And Baltimore has much *more* to offer . . .

**PORT AND TRANSPORT:** The No. 2 U.S. port in foreign tonnage, Baltimore also ships via 3 trunkline railroads, 175 interstate truck lines, 12 airlines. New expressways and beltways abound; more are abuilding.

**HALF-NATION MARKET:** Half the buying population of the U.S. is within 48 hours *bulk-delivery* time. Rich local markets, Baltimore plus Washington, adjoin those of the Northeast, South and Midwest.

**SITES OF ALL SORTS:** Ideal locations for light, medium or heavy industry. Urban, waterfront and open-country sites have continuing zoning protection, good utilities, a nearby skilled labor supply.

**TOWN OF TOMORROW:** Baltimore is building it today. Expediting traffic through the new Harbor Tunnel, clearing 27 downtown acres for the \$139,000,000 Charles Center and Civic Center, rehabilitating other areas.

For confidential plant site facts and figures, contact Robert J. George, **The Baltimore Gas and Electric Company**, Baltimore 3, Maryland

Give your business the competitive advantages of  
**BALTIMORE**

diameter globe of the earth that U.S. Steel Corp. is paying for. It will be located on the spot where the 1939 fair's Trylon and Perisphere once dominated the scene.

• **Strife in City**—Then, just a few weeks ago, there was a flare-up with a New York City councilman over finances. The fair had issued \$67.5-million in notes to cover costs of putting the grounds in shape, but met delays in selling the notes. Now the city has agreed to pick up \$24-million in notes, but not before Councilman Joseph T. Sharkey and Thomas J. Deegan, Jr., public relations man and chairman of the fair's executive committee, had an open argument over the city's role.

As past head of numerous public authorities and commissions, Moses is an old hand at dealing with controversy in bullding through civic projects. So he tends to dismiss with abrupt and colorful language any criticism of the fair or any hint it is having troubles. "We go through that all the time."

On the international front, for instance, fair officials say they already have acceptances from more than 30 nations, including the U.S.S.R. and the Holy See. Some nations belonging to the Paris bureau are also planning pavilions through cooperation of industry groups, though not as national exhibits.

• **Looking for Backers**—As for financing, now that city's \$24-million commitment has been made, Moses is announcing formation of a campaign committee that will approach industry to raise the remaining funds necessary for fair ground construction work, which has already started. The campaign will run for 60 days, with weekly announcements of progress. From the start, Moses has insisted that financial backers of the fair, unlike those who picked up part of the 1939-40 tab, will be fully repaid with interest. "There are no serious difficulties," Moses says.

Likewise, he says the Unisphere will symbolize just what it is supposed to—"trite perhaps," as he told a Brandeis University audience recently, "and certainly distasteful to lovers of abstract art, but we believe easily recognizable by the average visitor as symbolizing the interdependence of all people on a small shrinking planet in an expanding universe."

Moses has strong ideas, too, about the general architecture of the fair. He cites the "devastating effects" of the 1893 Chicago Fair's classical revival as an example of the dangers inherent in promoting an over-all fair style. Exhibitors will design and build their own pavilions, subject to approval by the fair and to certain limits, such as height and size. Each company will pay \$4 per sq. ft. rental each year (\$3 for foreign exhibitors) for the ground occupied. What a company's own archi-

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## SARAN WRAP STIMULATES NEW THINKING!

How? Because talented Dow researchers see Saran Wrap\* as a creative marketing tool. This approach leads to practical new packaging materials as well as more economical and persuasive ways to use them. The new Saran Wrap idea? Cookie dough in a chub pack. New, different and more convenient, this idea has helped put a leading producer far ahead in his field. Expose your packaging problems to this kind of thinking. You'll find that suggestions from Dow make exceptionally good marketing sense. Don't settle for less. Saran Wrap... the superior moistureproof packaging film.

THE DOW CHEMICAL COMPANY • MIDLAND, MICHIGAN



best  
sites of  
the South . . .



. . . at the first sight of the south!  
**TIDEWATER VIRGINIA**

. . . for choice industrial locations!

STOP . . . and consider the almost unlimited opportunity for growth your plant will enjoy in the Tidewater region of Virginia!

Tidewater offers an ample supply of labor, water, fuel, power and gas; exceptional rail, air, motor, highway, ship and port facilities . . . linking all markets through the vast industrial complex of Hampton Roads.

Included in this warm business climate are excellent living conditions and the world-famous recreational attractions of Tidewater.

For a confidential, cost-free analysis of Tidewater industrial sites suited to your needs, contact . . .

Clarence H. Osthagen  
Vice President & Executive Director

**TIDEWATER VIRGINIA DEVELOPMENT COUNCIL**

300 Boush Street

Norfolk, Va.

TVDC is comprised of the cities and towns of Boykins, Branchville, Franklin, Norfolk, Portsmouth, Smithfield, South Norfolk, Suffolk, Virginia Beach, Wakefield and Windsor; the counties of Accomack, Isle of Wight, Nansemond, Norfolk, Northampton, Princess Anne and Southampton.



STATE-FINANCED COLISEUM will house exhibit on the theme "Man in the Space Age." This will be the main pavilion at the \$80-million Seattle fair.

tects and designers come up with, however, will be the company's affair.

Says Moses: "The fair administration belongs to no architectural clique . . . worships at no artistic shrine." He adds: "This will produce endless variety, if not uniformity."

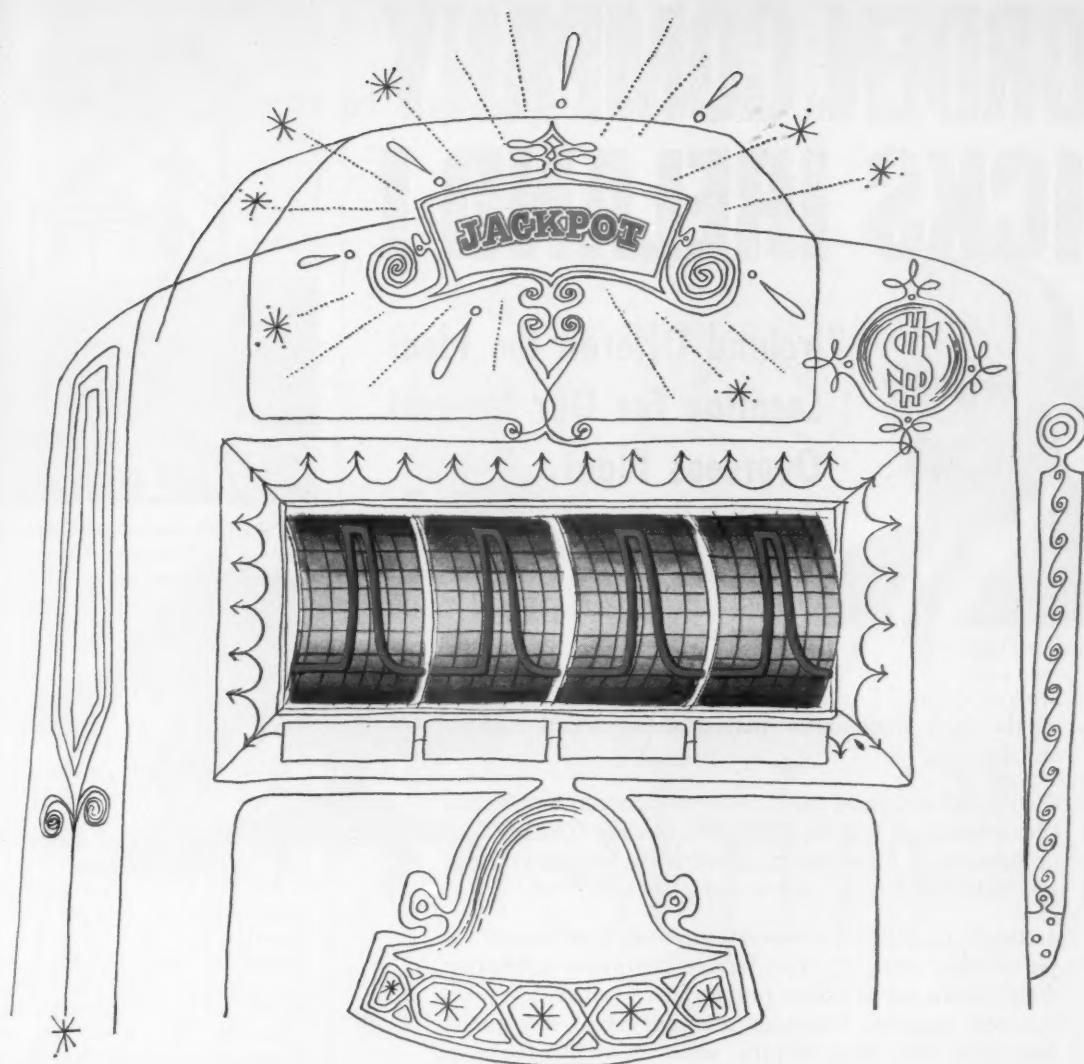
## II. Who'll Be There

Just what the industrial exhibits will finally look like is too early to tell. The fair itself is too busy coraling new exhibitors and getting their firm commitments on paper.

Many companies already intend to exhibit. American Telephone & Telegraph Co. is taking 105,000 sq. ft. (two year rental: \$840,000) for an exhibit that fair officials look upon as setting a sort of over-all communications theme. General Motors Corp., Ford Motor Co., and American Motors Corp. will have exhibits in a separate transportation area of the grounds. Others include E. I. du Pont; International Business Machines Corp., Aluminum Co. of America, National Cash Register Co., Liebmam Breweries (makers of Rheingold beer), Edison Electric Institute, Owens-Corning Fiberglas Corp., and General Electric Co.—to name a few.

Coca-Cola has 46,000 sq. ft. on which it plans to build an ultramodern bottling plant costing more than \$1-million. Pepsi-Cola will have an exhibit, too. Restaurant Associates, Inc., and the Brass Rail Restaurants have food concessions.

• **On Drawing Board**—Few companies, though, are far enough along in their planning to give even the fair itself much of an idea what they will show. General Motors simply says it will have something to rival its world famous



## With acrylates... purity pays off

Celanese acrylates, made by the beta propiolactone process, provide new high standard of purity

It's a good bet that Celanese acrylates can give you a better finished product. Gas chromatographs demonstrate the unsurpassed purity inherent in this unique Celanese production method. This purity means consistent reaction rates and more complete conversion of monomer to polymer.

You'll finish in the money if you start with Celanese acrylates in the production of paints, paper, leather, textiles, floor polishes, and other polymeric applications. Write for 48-page booklet.

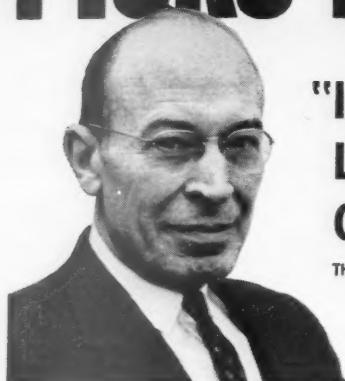
Celanese Chemical Company, Dept. 568-D, 180 Madison Avenue, New York 16, N. Y.

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# BORDEN COMPANY PICKS IRELAND!



Mr. Theodore O. Hofman

## "Ireland Offered the Ideal Location For Our Newest Overseas Plant..."

Theodore O. Hofman, President, Borden Foods Company  
Division, The BORDEN COMPANY

"After considerable research," writes Mr. Hofman, "we decided to locate our dry milk packaging plant in Mallow, County Cork. The remarkable incentives offered by the Irish Government played an important part in our decision."

During the last three years over one-hundred new industries from all parts of the world have come to Ireland to set up operations. Manufacturing primarily for export, their products range from cranes and pianos to food.

Ireland's incentives to manufacturers and processors are particularly enticing. You receive *ten years exemption* from income tax on export profits, plus a further five years reduced taxation. Outright, non-repayable *cash grants* help you build your factory, equip it with machinery, and train your workers.

Other advantages include **preferential treatment for your products in many countries**, reasonable wage scales, ample power, and a plentiful supply of English-speaking, interested, intelligent labor.

Why not write today for details. The Industrial Development Authority's office in New York is ready to assist you with information about your specific industry.

If you can use air freight, Shannon Free Airport offers ready-to-occupy factories for renting, as well as cash grants, and tax exemption until 1983.



### IRISH INDUSTRIAL DEVELOPMENT AUTHORITY

405 Lexington Avenue, New York 17, N.Y.  
Telephone: OXFORD 7-0848



UNISPHERE, symbolizing "Man's Achievement in an Expanding Universe," is the theme of the New York fair. It will replace temporary tower now under construction.

Futurama of 1939: "We hope to show some of the dramatic possibilities of transportation and living that technological progress can bring to reality not too many years hence."

General Electric is known to be working with Walt Disney, and Owens Corning Fiberglas Corp. is trying to arrange some sort of marina or small boat dock.

The fair has set aside seven acres for a federal exhibit. It hopes to establish Franklin National Center of Science & Education, which it suggests could be a permanent affair. If Congress approves such a permanent display, it would be one of the few buildings remaining once the fair closes. The Unisphere, unlike the Trylon and Perisphere, will be permanent, as will the New York City Building and the amphitheater, both left over from 1939—but that's about all. Flushing Meadow will be restored as a park.

### III. Seattle, 1962

Seattle's Century 21 is already well on the way to completion. It became more than just a dream in 1957 when the Washington state legislature appropriated \$7.5-million for an exhibition that would emphasize science. This was combined with an already authorized \$7.5-million city bond issue to refurbish Seattle's civic center. When the show is over in October, 1962, the city will have a set of new buildings and some permanent attractions. The state and city have both already authorized additional funds to be certain of completion on time.

• **Business Kick In**—Led by such men as Edward E. Carlson, head of Western Hotels, Inc., William S. Street, pres-

**The President of Swingline believes in**

# "first-manship"

**PROOF:** Swingline's spectacular 8-page booklet\* in the April issue of MECHANIX ILLUSTRATED.

**A FIRST TWO WAYS:**

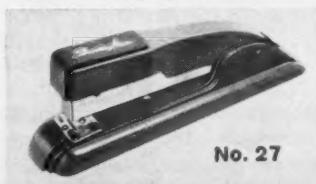
1. FOR SWINGLINE because it's the first time a stapler manufacturer has ever inserted an 8-page booklet in a national magazine.
2. FOR MECHANIX ILLUSTRATED because it's the first time this magazine has ever carried such a booklet.

**AND HERE'S MORE EVIDENCE OF SWINGLINE "FIRSTMANSHIP":**

- First to invent "open channel" loading for jam-free performance.
- First to bring modern design to office staplers.
- First to develop a pocket stapler for only 98¢.

First to introduce a high compression staple gun for only \$4.95.

By constant research and product development, Swingline has helped broaden the market for staplers. That is why today Swingline is the world's largest manufacturer of staplers for home and office use. Whatever your stapling problems, you can depend on Swingline to help you solve them with better, longer-lasting equipment.



No. 27

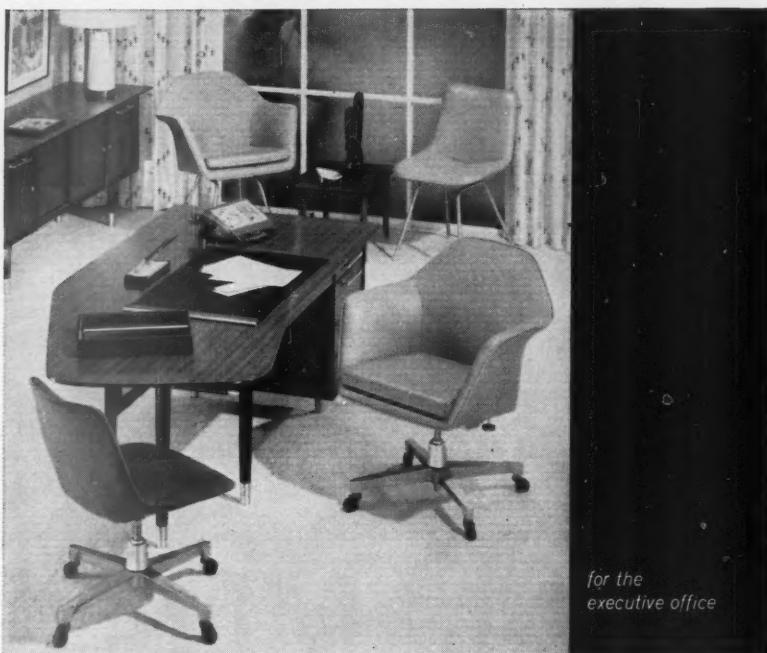
"TIPS FOR TACKING" booklet will sell Swingline's Staple Gun to more than 1,300,000 MECHANIX ILLUSTRATED readers. If you'd like a copy, send us your name and address.



**FEATURED IN**

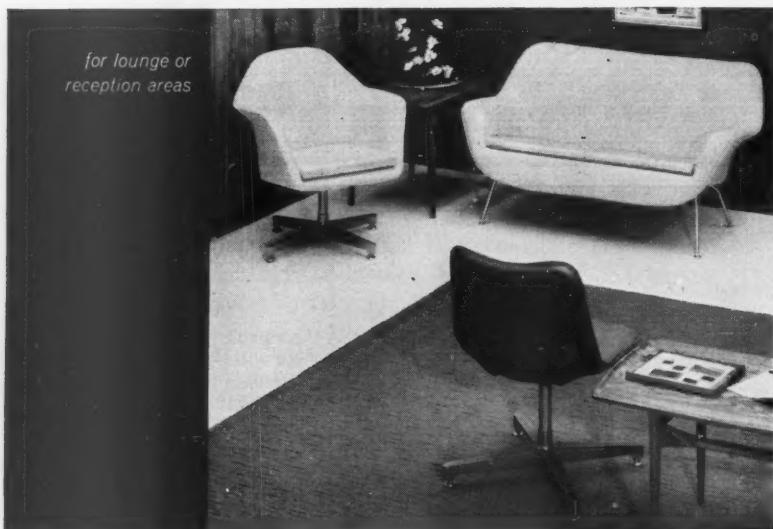
**MECHANIX  
ILLUSTRATED**  
A FAWCETT PUBLICATION

**Swingline® INC.** LONG ISLAND CITY 1, NEW YORK  
WORLD'S LARGEST MANUFACTURER OF STAPLERS FOR HOME AND OFFICE



*for the  
executive office*

## NEW! HARWOOD OFFICE SEATING



### the modern touch at a modest price...

To clients or customers, Harwood makes it obvious that you're up-to-date and successful. And its beauty and comfort is wonderful for office morale. For a modest investment, you can add the modern touch of Harwood seating. Its outstanding flexibility permits use in executive and general offices, reception and lounge areas, and conference rooms. For all the facts on Harwood's long-lasting strength, float-on-air cushioning, wide selection of colors, fabrics and bases, and low prices, see your Harter office seating specialist at his Seating Center or write us.

*For literature and the name of your nearest Harter dealer, just clip this coupon,  
attach your name and letterhead, and mail to:*

**HARTER CORPORATION**, 411 Prairie Street, Sturgis, Michigan.  
Canada: Harter Metal Furniture, 139 Cardigan St., Guelph, Ont. Mexico: Bidores-Harter, S.A., Lago Iseo 98, Mexico 17, D.F.

SPECIALISTS IN SEATING AND SEATING ONLY FOR OVER 30 YEARS.

dent of Frederick & Nelson department store, and Joseph Gandy, a Ford dealer now president of Century 21, Inc., Seattle businesses are kicking in \$4.5-million by buying 6% debentures, payable out of revenues.

Private business stepped in to build the \$3-million space tower (cover) as a permanent commercial venture. The Alweg Corps. of Seattle and New York are building an overhead monorail with a capacity of 10,000 passengers an hour. Though it will come down after the fair is over, the system is being billed as the "rapid transit of the future."

- **Science Pavilion**—But by far the biggest coup of Seattle's world's fair group is a \$9-million appropriation by Congress—biggest of its kind it ever made—for a permanent science pavilion and exhibit. On Feb. 21—at a radio signal transmitted by Sen. Warren Magnusen (D-Wash.) in Washington, D. C., and bounced off the moon—ground was broken for the biggest of the planned exhibits at the fair.

Right now Seattle officials, led by William Street, are out beating the bushes for big exhibitors. They already have AT&T and General Electric signed up for major installations, now are seeking other major companies with big ideas. Others committed include National Cash Register, a forest products industry group, the three major aluminum producers as a group. In all, 36 companies have made firm deals for space. The push now is for more big names.

- **Countries Coming**—Foreign nations definitely committed include Canada, United Kingdom, Japan, Thailand, Greece, Vietnam, Yugoslavia, and six African countries. Century 21 is certain that it will have all 30 members of the Paris Bureau of International Expositions.

Donald Deskey Associates, Inc., New York industrial design firm, has the job of filling the state-financed Coliseum, obtaining the exhibitors, designing the exhibitions, and installing them. Exhibitors pay \$14.90 per sq. ft. for space in any Century 21-constructed building, \$4.90 for rental of ground for erection of their own pavilions.

When the fair ends, Seattle will have as new permanent structures the federal pavilion (with the General Services Administration to determine its use), an 18,000-seat sports arena, a small 800-seat theater and banquet hall, the space tower, and the 10 buildings that will house foreign exhibits—plus a refurbished civic concert and convention hall. END

She may get  
the message here,  
but...



## your ads in the Yellow Pages sell her when she's ready to buy

No matter what market your advertising is designed to cover, the Yellow Pages completes your *advertising-selling* job. Your *selling* message in the Yellow Pages will reach your "ready-to-buy" prospects . . . and will help them decide *what* and *where* to buy.

With National Yellow Pages Service, you can cover your precise markets by choosing any combination of 4,000 directories across the country. And one contact,

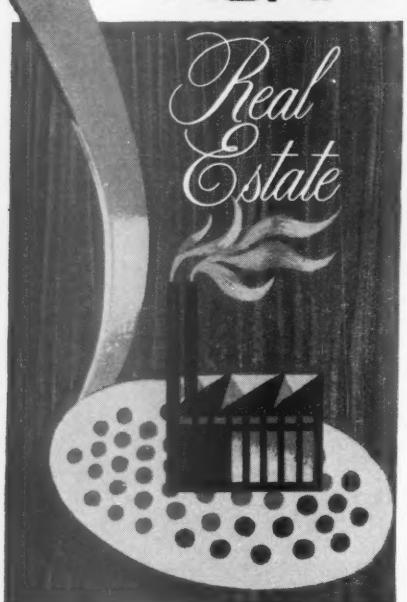
one contract, one monthly bill cover your entire program.

To find out more about this Yellow Pages service that will make your regular advertising pull more results, contact your National Yellow Pages Service representative through your Bell Telephone Business Office.

ONE CONTACT/ONE CONTRACT/ONE MONTHLY BILL



# INTRODUCING! OREGON'S INSTANT



New Industrial sites made to order for you. The Port of Portland's channel maintenance program of dredging earth from the Willamette and Columbia

river channels, has created 4 industrial sites in the heart of Portland's traffic pattern.

1,272 acres of freshly made land with rail, truck, air and deep water shipping facilities at your doorstep.

Write today for your FREE Sample of Instant Real Estate, and a detailed information brochure.

Better Industrial Home-making from **INSTANT**

**REAL ESTATE**

a product of the  
**PORT OF PORTLAND**  
**COMMISSION**



Write: 5848 N. Lagoon Avenue, Portland 8, Oregon

## The Ad Men See a Pickup

Their customers show signs of loosening the purse strings. And the government regulators, notably FTC's Dixon, are beginning to talk somewhat less toughly.

As they assembled this week in Washington, D. C., members of the Assn. of National Advertisers tried to see ahead through the hazy horizon of the New Frontier and the dark clouds of the recent recession. Their cautious predictions called for slightly better weather on both these fronts, where conditions had looked quite black a few months back.

- Ad budgets that have been held back on a wait-and-see basis are being released. Although spending in most media may drop for another month or two, it should definitely turn up after that. By the third quarter, advertising outlays will again be setting new records.

- The ad executives have been finding that the new Administration isn't so anti-advertising as its first announcements suggested. The new chairman of the Federal Trade Commission, Paul Rand Dixon, showed that he had no intention of laying aside the big stick wielded against false and misleading advertising in the waning months of the Eisenhower Administration. Dixon revealed that he is adding some sharper weapons to the advertising policy armory. But the Administration speakers also expressed regard for advertising's motive force in "getting America moving again."

Dixon scotched widely circulated reports that he intends to concentrate more on restraint of trade than on advertising abuses. Saying that "history teaches that phony advertising can do its dirty work before it can be stopped," Dixon announced a couple of new procedures to speed issuing of cease and desist orders. Further, FTC is seeking Congressional authorization to issue temporary restraining orders pending a trial. The commission would hold this power in reserve, as a sort of ultimate weapon to be used only in case of flagrant abuse. But it feels that its existence would effectively discourage advertisers from using delaying tactics.

- **Normal Course**—Advertisers rarely risk FTC's wrath by continuing an ad after the commission first finds it objectionable. But where they have continued, they have shown that the ad campaign can run through its normal life cycle before FTC can complete proceedings against it.

Dixon went to considerable length to point out that many ad abuses involve not only local operators but a

number of big national advertisers and their agencies engaging in deliberate legal brinkmanship. A spokesman for Standard Brands, Inc., indicated just how rough this New Frontier justice can be for a large company. He figured the commission's investigation of its oleomargarine advertising had cost the company about \$150,000 even before FTC issued its citation.

The consensus of the advertising executives ran this way: Under Dixon, FTC will be a little rougher on advertising than his predecessor, Eisenhower-appointee Earl W. Kintner. This disappoints those who had hoped FTC would shift its focus to restraint of trade. But it promises a milder Administration attitude than indicated during the election campaign, when some Democrats talked of such stringent measures as a tax on advertising.

- **Housecleaning**—Dixon closed with the almost predictable plea for the industry to clean its own house. Privately, FTC concedes that complaints against false and misleading advertising aren't what's filling the Congressional mailbags (and hence putting pressure on the commission). It's more the complaints against annoying advertising, advertising that FTC can touch only by exhorting the industry to do better.

Many of the convention's speakers echoed this annoyed-with-advertising plaint. Speaking for the eggheads, critic Marya Mannes lashed TV advertisers for "pitching too low and treating us like the mentally retarded." Walter Barlow, president of Opinion Research Corp., offered both reassurance and criticism from his company's research on opinion-leader consumers.

These opinion leaders, who are the trend-setters in accepting new products, expressed greater-than-average receptivity to advertising. But they also voiced more resentment. Very few of these opinion leaders faulted advertising as being "deceitful or dishonest." But significantly high percentages objected to it as "exaggerated," "annoying," or "misleading."

ANA took a step in the direction suggested by these critics during the convention. In a strongly worded telegram it urged American Broadcasting Co. to rescind its decision to increase commercial time given to the network's affiliate stations next season. Already an ANA committee that monitors TV commercials reports "hundreds" of recent in-

stances in which affiliates of all three networks have piled up commercial time in excess of the stipulated three minutes per half hour. In some cases, stations have run as many as eight minutes of commercials in a half hour.

• **Upturn Ahead**—The ANA meeting probably took place just at the time when recovery thinking is starting to replace recession thinking in advertising allocations. In total, ANA members thought the recession hadn't chopped more than 5% to 10% off 1961 budgets in comparison to 1960. But budgets are one thing, outlays another. Many ad executives report that they have been under orders to hold back on actual spending until their companies could get a clearer indication of the economic outlook. Now they are getting authorizations to use these funds. This more optimistic attitude shows up particularly in orders for next season's network TV time. These commitments provide good lead indicators of ad spending, since networks must sell further in advance than other media.

Most ANA members think this upturn is past due. An analysis of the budget cutbacks shows why. Budgets for packaged goods (soaps, toiletries, foods), where advertising and sales occur close together, held up and even pushed ahead during the past few months. But advertising for consumer durables and industrial goods, where current advertising pays off in more delayed sales, suffered the sharpest cutbacks. In some cases, budgets were pared by 25%. So this future-effect advertising, which should be leading sales, is actually dragging behind.

Vice-Pres. H. D. Bissell of the Minneapolis-Honeywell Regulator Co. expressed the industrial ad executive's prevalent complaint. "We are particularly susceptible to reduction or postponement of budget when the showdown comes between reducing sales manpower and the alternative of cutting business paper, technical, or corporate advertising."

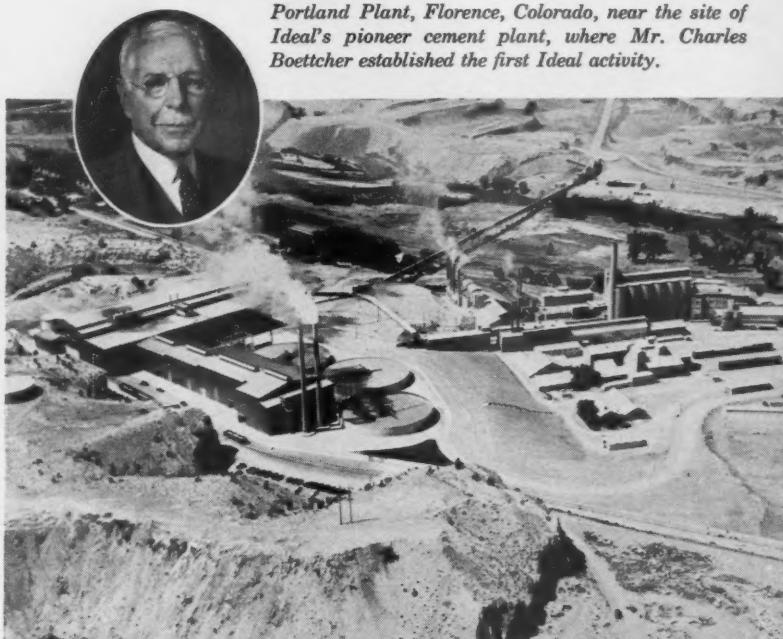
It was this kind of recession behavior, indicating top management's lack of faith in advertising during rough times, that prompted ANA to launch a two-year project in 1959 designed to answer this key question: "How can we get better evidence of the results of advertising in relation to the costs?" Advertising manager R. H. Bolin of the Westinghouse Electric Corp. reported that publication of the project's findings is imminent.

• **Specific Goals**—While the recommendations vary widely from industry to industry, they follow a common course in advocating that top management take advertising's function out of the vague category of "increasing sales" and assign it a specific, measurable objective. **END**

## AT IDEAL CEMENT COMPANY

### We Have Spent Over Half a Century Proving it Pays to Produce a Quality Product

*Portland Plant, Florence, Colorado, near the site of Ideal's pioneer cement plant, where Mr. Charles Boettcher established the first Ideal activity.*



At the turn of the century when Mr. Charles Boettcher, founder of Ideal Cement Company, first started in the cement business, he firmly established the point that company growth and a future for cement demanded a quality product.

Over the years, as Ideal Cement Company has built new plants in new locations, the name "Ideal" has ever been a byword for quality and dependable product performance. A consistent program of plant improvement has been maintained. There has been no compromise on good housekeeping, laboratory control, or the development of more efficient methods of production.

Ideal's plant system today, with its annual productive capacity of 40 million barrels of cement, is a testimonial to the fundamental soundness of pioneer company policies, and to the progressive outlook which has permitted it to grow with the expanding futures of the areas Ideal serves.

## IDEAL CEMENT COMPANY DENVER, COLORADO



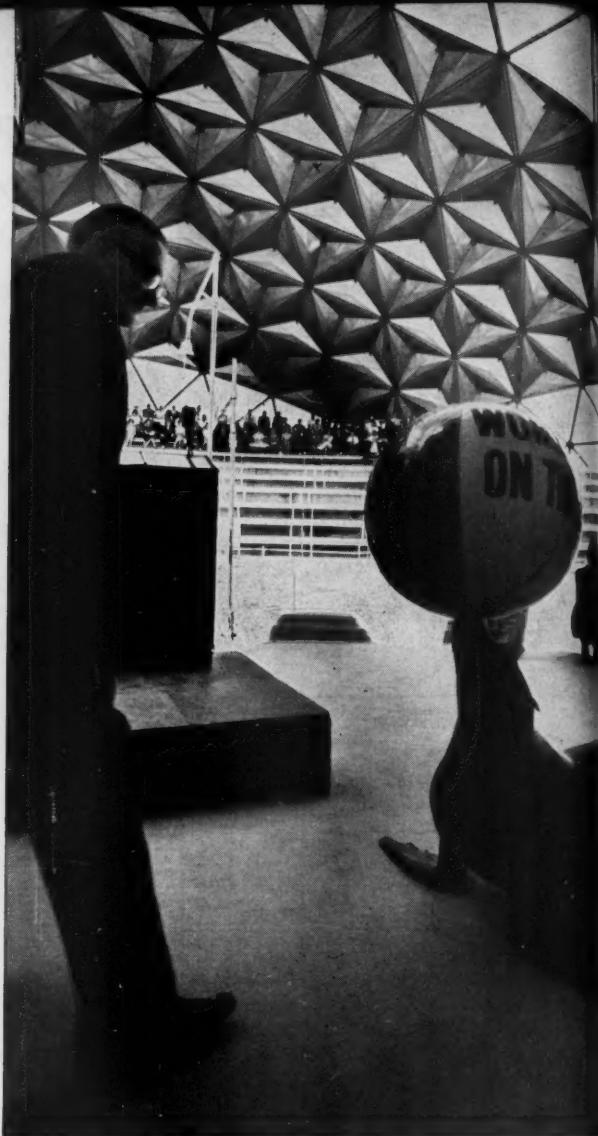
LISTED ON THE NEW YORK AND PACIFIC COAST STOCK EXCHANGES

SERVING SOME OF THE MOST RAPIDLY GROWING MARKETS IN THE UNITED STATES

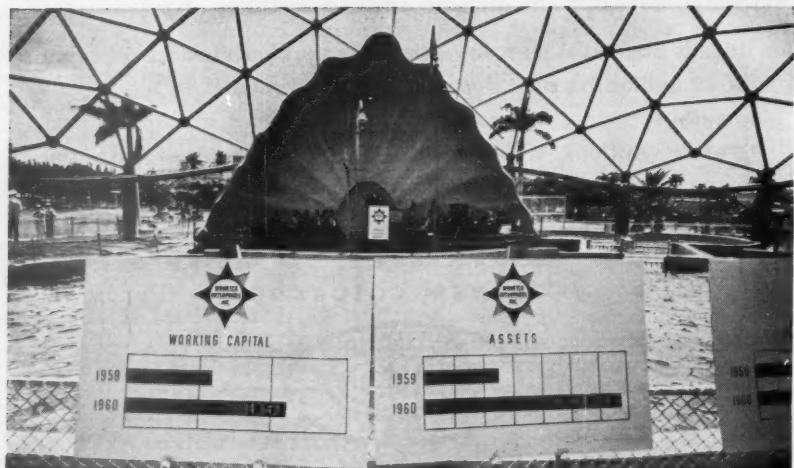
## MANAGEMENT



MERMAIDS submerge among the fishes to hold sign greeting Wometco stockholders. Girl at right wears aqua lung. They didn't go into the Seaquarium's big tank—it's the habitat of sharks.



PRES. WOLFSON, after some difficulties, coaxes Jinks, the sea lion, into balancing a ball on her nose. Legend proclaims: "Wometco is on the ball." Cameramen made Jinks nervous.



BUSINESS CHARTS were displayed in an exotic setting. Stockholders seemed to enjoy the al fresco meeting in one of their prize properties, except for the daytime heat.

## Florida

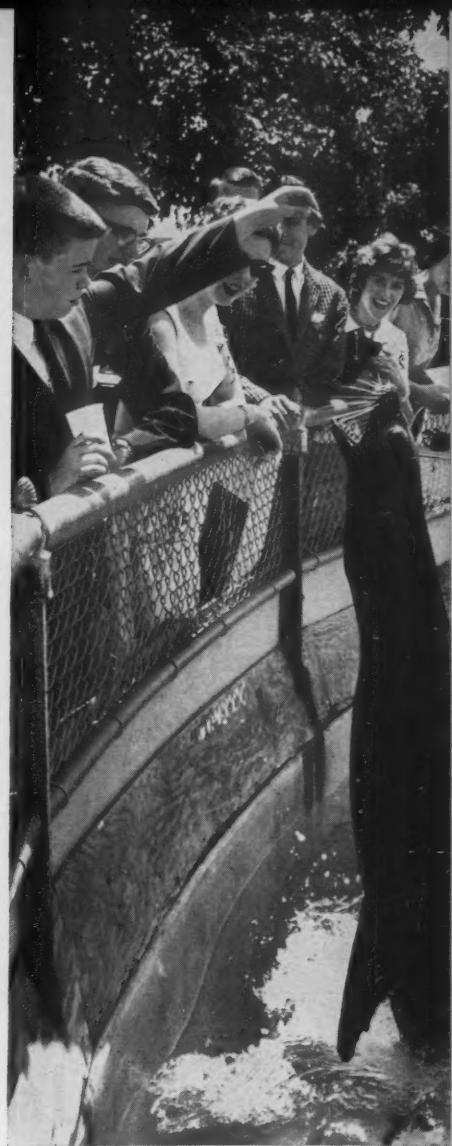
Annual meetings used to be somber affairs held in stuffy, dimly lit auditoriums, with company executives often most interested in one item on the agenda: a motion to adjourn. But in recent years, there has been a trend toward the unusual—giving stockholders a treat instead of tedium.

Last week, a little-known but fast-growing Florida company, Enterprises, Inc., gave one of the splashiest annual meetings ever (pictures). It entertained its stockholders on the grounds of its latest acquisition, the Seaquarium—a tourist attraction about five miles south of Miami.

- **Laughs and Splashes**—The shareholders got not only a full report on how



HIGH POINT of animal participation came when Pinky, the penguin, strolled across stage with copy of annual report under her "arm." The expense of empty seats is due to the desire of the 200 shareholders present to get up into the shade of the aluminum roof.



JUNIOR ACHIEVERS, guests at the annual meeting, enjoyed feeding Jinks, the sea lion, in her big tank behind the arena.

## Florida Company Entertains Its Owners

their company was doing in its diversified activities in television, theaters, and vending machines, but also a few good belly laughs and a chance to feed the sea lions and other water animals. It was, as one observer remarked, "a meeting with a porpoise."

Wometco's president, Mitchell Wolfson, had only one real worry about the meeting—the weather. But the Florida sun was as bright as the annual report—Wometco sales rose 24% last year to \$12.6-million, and net earnings rose 43%. The "Golden Aquadome," a new \$150,000 anodized aluminum roof, shaded the stockholders.

A big part of this increase came from the Seaquarium itself, which was known

as a "white elephant" when Wometco picked it up a year ago and turned it into a moneymaker. Wolfson thinks last week's meeting will give the Seaquarium another big boost when the shareholders go home and tell friends and neighbors about their day. Wometco also got a big play in the newsreels and shot a lot of film of its own that will be shown over its four television stations, including WTVJ in Miami.

• **Nervous Reaction**—While all the people involved reacted well to the meeting, there were some hitches in the animals' reaction. Jinks, the sea lion, had a hard time balancing a ball (printed with the slogan "Wometco is on the

ball") on his nose, and Pinky, the penguin, seemed more willing to take the annual report he was carrying into the pool instead of to the rostrum. And Corky and Sparky, two big porpoises, threatened a proxy fight when they were asked to leap 10 ft. and crash through a paper-lined hoop.

In the end, they did their jobs, but, as one man suggested, they might have performed much better if they had been given shares of Wometco stock instead of fish.

All the hoopla, as well as the good annual report, resulted in an extra plus for the company—the stock (over the counter) shot up from \$13 to \$20 during the week. **END**



## How a Union Picks Its Targets

**Before moving in to organize, labor sizes up employee interest plus a company's strength and position in its industry.**

"Why me?" cries the nonunion employer, smiting his forehead. "Why did that union organizer pick my plant instead of somebody else's?"

A great many employers have asked this question since the first organizer handed out his first leaflet. Some, however, don't really believe there are logical answers. They regard an organizing campaign as a purely chance misfortune, like being struck by lightning. Others feel it's a matter of attracting a union's attention—just get mentioned in the newspapers and you get organized, they say.

Union officials think both notions are pretty funny. "Would an employer run a sales campaign at random?" they ask. "Would he wait for a newspaper clipping to tell him about a potential market?"

It's a lot more methodical than that.

- **Early Cognizance**—When a union attempts to organize Plant X, it's not because the union has just learned of its existence. The union probably heard about it a week after it opened. A worker wrote a letter. Or an employee mentioned it to his brother-in-law, who mentioned it to his own union officers, who mentioned it to the appropriate union.

Or the official responsible for the region noticed it in the course of his rounds. Or a competing employer fingered it during a union negotiating session ("How can you expect me to raise wages when that new Plant X pays less than I do right now?"). Or the union learned about it through normal industry channels—publications, trade shows, word-of-mouth.

But the first awareness of a plant's existence isn't enough to cause the union to station its organizers at the plant gate. The union may decide the plant isn't a worthwhile target. Perhaps the workers show no interest when a

union representative conducts a quick survey, or the union is busy elsewhere, or the company produces goods that are on the fringe of the union's jurisdiction.

- **Determining Factors**—If the union later decides to start a campaign, it's because changed conditions have made it a worthwhile target. Three basic elements determine this: employees' desire for a union, the plant's position in the industry, and its future as a going concern.

A financially sturdy company, employing several thousand disgruntled workers and occupying a pace-setting position in its industry, would score 100% on this scale.

A company in bad financial shape, whose two workers love the boss and whose products neither affect nor compete with anybody else, would score close to zero.

- **Varying Approaches**—Different unions weight the elements differently.

To a union with a relaxed view of jurisdiction, operating in a largely un-

# When Pepsi-Cola telegraphs 530 bottlers... *things happen fast!*

**WESTERN UNION**  
TELEGRAM  
W. P. MARSHALL, President

CLASS OF SERVICE

This is a "fast" message unless its deferred character is indicated by the proper symbol.

1210 (4-00)

SYMBOLS

DL=Day Letter  
NL=Night Letter  
LT=Intercontinental Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination.

JAMES GOODING, JR.  
PEPSI-COLA BOTTLING CO.—DENVER, COL.

PEPSI SPONSORING NBC-TV SPECTACULAR "YOUNG AT HEART"  
STARRING JANE POWELL, FRIDAY, APRIL 28. PROMOTION MATERIALS  
TIEING IN PEPSI THEME IN PRODUCTION AND AVAILABLE  
IMMEDIATELY. HOW MANY DISPLAY UNITS CAN YOU USE?

PHILIP HINERFELD, PEPSI-COLA COMPANY, NY

**WESTERN UNION**  
TELEGRAM  
W. P. MARSHALL, President

CLASS OF SERVICE

This is a "fast" message unless its deferred character is indicated by the proper symbol.

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PHILIP HINERFELD  
PEPSI-COLA CO.—NEW YORK CITY

REQUIRE TOTAL OF 75 SPECIAL "YOUNG AT HEART" DISPLAY  
UNITS AS SOON AS POSSIBLE. HAVE ALREADY ARRANGED TIE-IN  
PROMOTIONS IN 53 SUPERMARKETS. EXPECT MORE TO FOLLOW.

JAMES GOODING, JR., PEPSI-COLA BOTTLING CO.—DENVER



**SPECTACULAR PROMOTION?** Say it in a spectacular way as Pepsi did to 530 bottlers . . . by telegram! People respond to telegrams. Result? Things happen fast. When busy companies use accurate, action-getting telegrams, they save time and money. Good reasons for you to wire for action!

**Western Union...for action!**



1. Polyethylene is chosen for squeeze bottles because it:

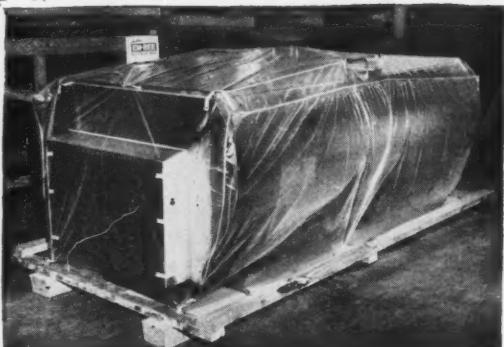
- (a) travels safely
- (b) comes in a variety of colors
- (c) resists chemicals

## What's your score on "packaging with polyethylene"?

(Exciting uses hold profitable ideas)

2. Applying protective polyethylene film to this 2000 gal. tank takes:

- (a) 30 minutes
- (b) 30 seconds
- (c) 15 minutes



3. Wrapping bread automatically in polyethylene film:

- (a) reduces rewraps
- (b) averages 43 loaves/min.
- (c) keeps bread softer



**ANSWERS** 1. Check all three. They're just a few reasons why polyethylene squeeze bottles have become so popular.

- 2. (b)—Only 30 seconds! Previous materials took 15 minutes.
- 3. Check (a) and (b). (c) is a standard feature of polyethylene film.

If you have questions—about plastics and their potential for your business—please ask us. We'll be glad to answer on the uses of polyethylenes, epoxies, phenolics, styrenes, and vinyls. Just write or call any of our offices or write Dept. IK-19D, Union Carbide Plastics Company, Division of Union Carbide Corporation, 270 Park Avenue, New York 17, New York. In Canada: Union Carbide Canada Limited, Toronto 12.

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organized area, the most important factor might be the workers' eagerness for a union—promising quick returns in dues-paying membership for a moderate expenditure of time and money.

Eagerness, of course, is a relative thing. Barring strong-arm tactics or illegal collusion between employer and union, no one ever organized a plant against its workers' will. But how much positive desire a union needs to build on varies considerably. A tepid interest in unionism might qualify a work force as a good organizing prospect in Pittsburgh or Detroit. A much higher degree of enthusiasm would be required to give the union the same chance of victory in a hostile Southern community.

One international union, burned to a crisp by repeated defeats among Southern workers who had backed it before community pressures were brought to bear, now requires that two-thirds of all employees sign membership cards before it will petition for a Southern election. It does so, it says, to shield the workers from retaliation and itself from bankruptcy.

On the other hand, a union that has its industry fairly well organized might choose a target less to gain new members than to protect the members it already has. Here the most important consideration might be the plant's competitive position and ability to affect industrywide standards. A nonunion company that pays substantially below the union scale or undersells union companies will draw organizers like a magnet. So will any nonunion employer if the rest of his industry is tightly organized.

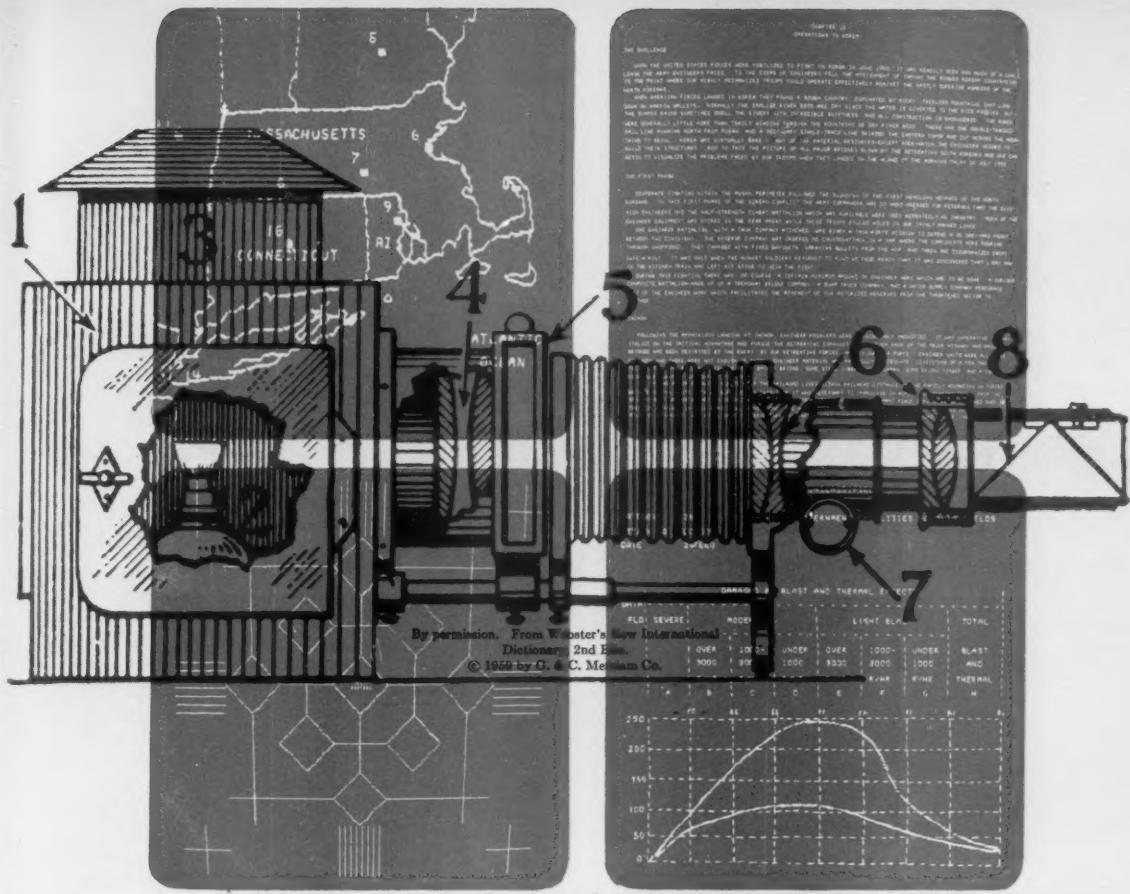
"A cloak-and-suit manufacturer who thinks he's going to operate nonunion is out of his mind," an International Ladies' Garment Workers' Union official said.

• **Teamsters' Tactics**—The organization most preoccupied with a company's financial state is probably the International Brotherhood of Teamsters. The Teamsters' research department may do a complete financial analysis of the prospective target ("We have to know how long he can stand up to a strike").

In addition, organizers may devote months to talking to employees before the decision is made. Teamsters organizers actually gave out leaflets and visited workers for half a year before deciding against a full-scale campaign at the Scruggs-Vandervoort-Barney, Inc., department store in St. Louis.

"We might have won, but it would have taken several years and lots of staff," a top Teamsters official said. "We had other uses for our resources—campaigns we knew would pay off faster. We'll be back when the odds are better."

• **Victory in Defeat**—But sometimes a



## *"Change the Slide, Please"*

The Magic Lantern was a major advance in visual communication. However, the slide itself remains extremely inefficient for mass information storage.

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Incidentally, a \$20 million, 5-year plan of airport improvement is moving ahead at top speed. Already completed: modern new terminal facilities through which 1½ million passengers will pass in 1961; new runways for fastest jet service; and nearing completion the new \$750,000 airport hotel, the Barkley House.

Of course, what gives the Cincinnati Industrial Area its biggest advantage in cutting down travel time (by jet, train or car) for

executives, salesmen, and service personnel headquartered here, is its fortunate geography. It happens to be at the center of a 500-mile circle which takes in half the business conducted in the U.S.A. It's close to markets. It's close to raw materials. It's close to the hearts of department heads, and treasurers with an eye on travel costs and shipping costs.

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**For complete and confidential information about the Greater Cincinnati Area relating to your own specific problems and needs, write Mr. Ernest S. Fields, President, The Cincinnati Gas & Electric Company, Cincinnati, Ohio.**

### The Cincinnati Gas & Electric Company

**The Union Light, Heat and Power Company**

*Serving homes and industry in the Greater Cincinnati Area with an adequate and dependable supply of gas and electricity.*

company occupies so important a position in its industry that the union must exert organizing pressure even when it doesn't expect to win.

Several years ago the Textile Workers Union of America lost a highly publicized campaign against Burlington Industries, Inc., the nation's largest textile chain. It marked the drive a success because Burlington raised wages to keep out the union, and this enabled TWUA to get raises from its organized employers without pricing them out of the market.

• **Southern Problem**—No union can afford many such "successes." The high cost of failure and the hardly lower cost of success are the major reasons why unions think twice before embarking on a Southern campaign.

"If we looked at it from a profit and loss angle, no union would go into the South," according to an official of the Retail, Wholesale & Department Store Union.

One of RWDSU's recent successes, he recalled, was a three-year campaign that cost the union \$75,000—for organizers' salaries and expenses, legal fees, relief payments to fired workers, printing bills—and netted 150 members. At a per capita dues rate of 85¢ a month, it will take the international union 49 years to get back its investment.

Even so, most unions would agree that the company was a worthwhile target. A Southern victory builds morale among Northern members, whose wages and working conditions are threatened by unorganized Southern workers; it brings under contract a plant that is more likely to expand than to contract; and it gives the union a foothold in an area of potential membership.

• **Gaining a Foothold**—The foothold is important. Not only do rank-and-file members serve as link and pipeline to unorganized workers, but they make particularly convincing spokesmen for the union during a campaign. In addition, their future presence at the polls on Election Day discourages law enforcement officers from interpreting the law too lavishly in the unorganized employer's favor, some veteran organizers say.

The United Auto Workers is well aware of the importance of a foothold. In cases where an unorganized company is important to the industry—say, a die-casting plant—the union may maintain contact with pro-union employees for years until the time is ripe for a campaign.

• **Reappraisal**—UAW tackles the problem of organizing systematically. Reports of branch plant openings, for example, receive immediate attention. However, lately the union's organizing officials have begun to wonder whether some of the traditional methods haven't



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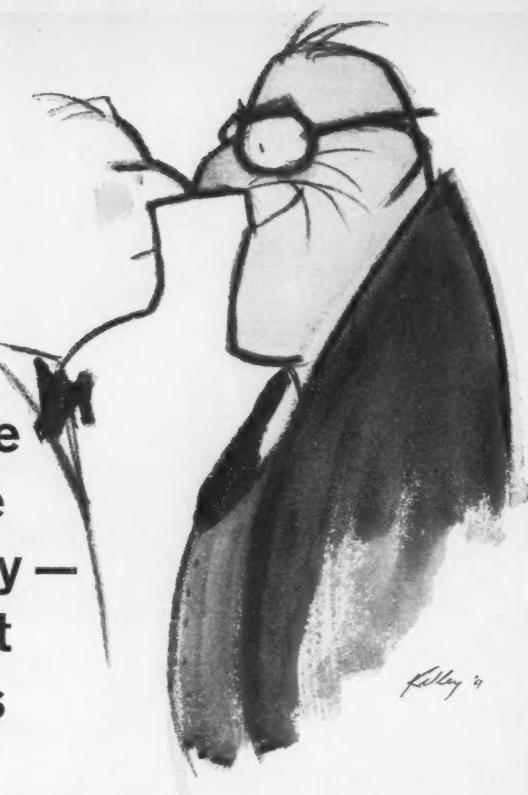
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gone out of date with the conditions that created them.

"In the old days, you walked up to a plant, gave out leaflets, and waited for the workers to revolt against intolerable wages and working conditions," one official said. "No more. Employers are smarter nowadays, and the government limits what they can do to wages and conditions even if they're not."

"The employer still can't duplicate union grievance procedure or union protection of a man's job security—but these are benefits a worker finds hard to understand unless he's experienced them. We need to shift to a long-term approach, to change our techniques and place more emphasis on education."

• **New Technique**—The UAW quietly started testing this theory in an Eastern city three months ago. By letter, leaflet, and advertisement, the union invited nonmembers to a fortnightly class in unionism. Approximately 30 came. The lecturer dealt with such topics as how unions function, the role of unions in the economy, and laws that affect workers—from the union's viewpoint, of course, but with no pressure and no attempt to sign up members.

Most of the students listened politely and went home. But several concluded that organization might be a good thing for them. They themselves broached the subject. As a result, the UAW has campaigns going in two plants where it never before roused interest—and classes will open shortly in a neighboring city, the union says.

• **Long-Range Planning**—The Textile Workers Union also is experimenting with the long haul and the soft sell. Since January, the union has distributed half a million "semi-educational" leaflets on union contracts, medical care of the aged, and unemployment compensation at more than 200 Southern mills.

Some of the leaflets included coupons to be returned to the union ("I am glad to give my support to the campaign of TWUA to establish federal standards for unemployment compensation. You are hereby authorized to turn this over to the appropriate Congressional committee."), but the resulting collection of names and addresses is only a fringe benefit, the union insists. Basically, the leaflets are institutional advertising, designed to keep the union's name before its public, a spokesman said.

"Some day some of those workers will get fed up with the workloads or the wages or the way a foreman pushes them around," the TWUA officer said. "When that day comes, we want them to remember TWUA, and to remember it as a good union, interested in the things that are important to them."

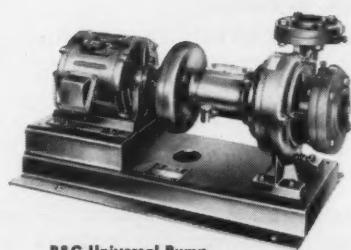
"We can't always pick our targets," he said. "Sometimes we have to wait for the targets to pick us." **END**



Owens-Illinois Paper Products Division Plant, Chicago

Architects-Engineers: Skidmore, Owings and Merrill, Chicago, Illinois  
Associates: Owens-Illinois Engineering Department

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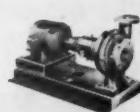
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# In Labor

## Goodyear, Firestone Reach Bargain With Union That Sets Precedents

Major rubber companies and the United Rubber Workers apparently will reach agreements over master contracts this year with a minimum of haggling—that is, if two settlements in recent days provide a pattern.

Agreements reached first by Goodyear Tire & Rubber Co. and then by Firestone Tire & Rubber Co. broke in two ways with past bargaining patterns in the industry:

- Goodyear achieved what major tire companies have been seeking for several years—the right to bargain on separate rates for tire and non-tire plants.

- Then, on Tuesday, Firestone and URW veered away from past practices to negotiate a master contract and a wage agreement at the same time; in the past, wages have been separated from other contract issues in rubber bargaining.

Firestone put into immediate practice the setting of different rates for tire and industrial products plants—with a two year agreement giving 7½¢-an-hour raises in five tire plants and 3½¢ in non-tire plants, effective this June 5, and 7¢ more in tire plants and 4¢ in industrial products operations on June 11, 1962.

## Union Hiring Halls O.K.'d by Court Unless Discrimination Is Proved

The Supreme Court this week eased union hiring hall restrictions developed by the National Labor Relations Board through the years. In a series of rulings, the court said, in effect, that union-run hiring halls are legal unless the NLRB can prove discrimination against nonunion workers.

The Taft-Hartley Act permits hiring halls—used principally in construction and maritime industries—but bars restricting their use to union members. The NLRB has held that unions that run halls must show specifically that they are nondiscriminatory. The court said the burden of proof must be on the NLRB. It ruled in specific cases:

- A Teamsters hiring hall contract with the California Trucking Assn., which required hiring on a seniority basis, wasn't discriminatory on its face. Conceding that a hiring hall may encourage union membership, the majority said this did not mean the union acted illegally, barring proof to the contrary.

- The NLRB could not impose penalties against a union and/or employer because the board "inferred" that a hiring hall operated by the Carpenters was illegal. The decision upset an NLRB policy of requiring that union dues be refunded for a period of six months before the violation occurred. The board had no authority to impose such a sanction, known as the Brown-Olds policy, the court said in a case involving Mechanical Handling Systems, Inc.

• The International Typographical Union can demand that mail room foremen be union members hired through their hall. The NLRB erred, said the court, in assuming that the nature of this practice was discriminatory without specific evidence to substantiate it. The employers were the News Syndicate Co., Inc., and Dow Jones & Co.

## Contract Gives New England Teamsters Long-Term Wage Hike of 58¢-Plus

The International Brotherhood of Teamsters and more than 300 New England employers last weekend reached agreement on a new three-year contract that calls for at least 58¢ in wage increases, including 5¢ an hour payable each Oct. 11 for three years beyond the contract termination date.

Under terms negotiated with IBT Pres. James R. Hoffa guiding the unionists, some 16,000 workers will receive an immediate 10¢ increase; 8¢ next Apr. 11, and 10¢ more Apr. 11, 1963. Pay will go up another 5¢ an hour each Oct. 11 for a six-year period, from 1961 through 1966. A cost-of-living clause, effective June 1, 1963, could raise pay even higher.

The contract stipulates that any wage increase won by the Teamsters in the Central States negotiations in February, 1964, must be granted to the New England drivers, too. However, the Hoffa-led IBT negotiators failed to win a common expiration date with the Central States unionists.

IBT also added 5¢ an hour more in fringes in the new pact, to bring the contract package to 63¢.

## Bargaining Revived in West Coast Strike

New efforts to end a strike against 127 metal trades companies were under way this midweek in the San Francisco area, with bargaining on an employers offer of 6¢ to 10¢ an hour in raises this year, 5¢ to 9¢ an hour more in 1962—with an additional cost-of-living adjustment then if warranted.

The offer by members of the California Metal Trades Assn. was similar to one made before the start of a walkout early this month. A majority of the striking International Assn. of Machinists lodges rejected the settlement a week ago, but one large unit O.K.'d it.

## NLRB Sets Organizers' Election

The National Labor Relations Board ruled last week that organizers, business agents, and educational directors of the International Ladies' Garment Workers' Union have the right to their own union. An election will be held within 30 days.

The ILGWU, backed by ALF-CIO Pres. George Meany, opposed a staff union; it contended that the relationship of organizers and other staff aides to the employing union makes it inappropriate for them to have a union of their own.

# INTERNATIONAL OUTLOOK

BUSINESS WEEK  
APR. 22, 1961



The Cuban crisis has put the U.S. in a tougher spot, at least in terms of our international standing, than any event since World War II (page 27).

Midweek sampling of informed opinion around the world by Business Week correspondents demonstrates that pretty clearly. (Official silence is being kept, of course, in most friendly capitals.)

**Paris:** In his first attempt at brinkmanship, Pres. Kennedy seems less skillful than the old master, John Foster Dulles. With Dulles, Washington's stake usually rested on the power of U.S. forces and not, as in this case, on those of a small rebel group. The great hope at midweek is that the President's private information on the Cuban situation, which led him to back the invasion, is more accurate than it appears from Paris.

**London:** The government, though sympathetically silent, obviously is very worried. It suspects the timing in Cuba has been all wrong, that there will be hell to pay in the U.N. unless there is a popular uprising soon in Cuba. But such an uprising will surprise the British if it happens.

**Beirut (Lebanon):** Even pro-Westerners in this part of the world are expressing sympathy for Castro. Opinion here is that the U.S. is trying to make up in Cuba for recent setbacks in Laos and in space. The official Cairo view is that the U.S. faces a situation comparable to Britain's during the Suez attack of 1956.

**New Delhi:** A government official unconnected with foreign affairs thinks Kennedy is taking a leaf out of the Soviet-Chinese book. This was "inevitable sooner or later, but it is not a good thing for U.S. Ambassador J. Kenneth Galbraith, who just presented his credentials this week."

**Rio de Janeiro:** The Cuban counter-revolution is regarded as an affair between the U.S. and Cuba, and not between the rebels and the Havana government. Most informed people privately hope Castro will go down fast, but practically nobody is saying so. Many think the U.S. is losing face and should act decisively. Then, it would at least be respected.

**Buenos Aires:** News of the Cuban invasion has been received with general apathy, and newsboys can't even sell papers with screaming headlines. Informed opinion is that if Castro's defeat is quick and clean, most people will be thankful—but if the struggle drags on, Communist-inspired propaganda and demonstrations may well swing public opinion against the U.S.

—●—

**There's nothing stodgy about the budget presented to the British Parliament this week by Chancellor of the Exchequer Selwyn Lloyd. It breaks new ground in several respects, shows the economic flexibility and political confidence of Britain's Conservative government.**

For example, Lloyd has asked for two new "economic regulators"—one of them to control consumption, the other to prevent manpower hoarding and to stimulate labor-saving investment (page 68). Both are meant to increase the government's emphasis on fiscal rather than monetary measures for leverage on the economy.

**Equally important is the decision to make a sharp cut in the personal surtax on earned income. This is to provide more incentive for business managers and professional people and, hopefully, to channel more personal savings into investment. But Lloyd has blended restraint with incentive; his program would produce a large surplus in the current budget and the smallest deficit in the over-all budget in many years.**

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK  
APR. 22, 1961

It adds up to a fiscal policy meant to speed up growth in the British economy without endangering the position of sterling. This meets the frequent criticism in Britain that the Conservatives—in their concern for the pound—have inhibited economic growth.

Note, too, that the budget makes an almost complete break with past Conservative efforts to formulate economic policies that would be tolerated by the Labor opposition. Because of the surtax cut, Labor is angrily opposing the budget.

The government's next step, sometime this year, may be a broad tariff cut. This, in combination with the budget, would prepare the economy for the competitive impact of a British linkup with the European Economic Community—something that now seems to be in the cards.

—•—

## Don't be misled by optimistic reports out of the Congo.

True, the fighting is at a virtual standstill. Very likely, however, this will be only temporary. The rivalries that set off the combat are as unbridled as ever.

On the optimistic side, there is Pres. Kasavubu's agreement to cooperate with the U.N., especially in reorganization of the Congolese National Army. Another bright note is that the army of pro-Communist Antoine Gizenga—Lumumba's successor—is reported to have accepted the authority of Kasavubu's chief of staff, Col. Mobutu.

But Kasavubu has made it clear that he won't play ball with the U.N.'s chief representative in the Congo, Rajeshwar Dayal, who is in New York for consultations with Secy. Gen. Hammarskjold.

Neither has Kasavubu agreed to let U.N. troops back into the port of Natadi. U.N. forces withdrew from the port last month after losing a military engagement with Kasavubu's troops.

Damaging hopes for an early Congolese "confederation," Kasavubu has agreed that all foreign advisers should be expelled from the Congo unless they were hired by his government. That includes the Belgians retained by Moise Tshombe, premier of secessionist and wealthy Katanga Province.

Tshombe won't go for this. His army, the best-trained in the Congo, has many Belgian officers and noncommissioned officers. His government also has Belgian civilians at the top level.

—•—

The U.S. seems to be heading toward another banner export year. For several months now, export sales have been running at a seasonally adjusted annual rate of \$20-billion, slightly ahead of last year.

Machinery definitely is a bright spot. One giant in the electrical equipment field is already doing so well that it estimates a 20% increase in exports over last year. Also, there's lively interest, both here and abroad, in U.S. machinery exports financed by the Export-Import Bank (BW—Apr. 1'61, 37).

Rubber products are doing well, too. One manufacturer touts its foreign sales as 10% better than 1960.

Chemical exports are at least holding their own despite the growing capacity of overseas manufacturing facilities. Consumer durables, especially TV sets, should be ahead of last year.

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# Push-button yards

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With freight trains highballing at near maximum speeds for existing equipment, reductions in shipping time must come from something other than increased train speed. The Rock Island has found one answer in automation...push-button yards that have drastically cut average classification time for freight movements. This achievement of modern electronics and communications advances your freight hundreds of miles, means faster deliveries, less damage, and better car location service.

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# 3 reasons why General Electric Slimline is America's most popular 8-foot fluorescent

Any time you see a long, unbroken line of fluorescent light, chances are good it's a General Electric Slimline lamp. Over the years, the G-E Slimline has proved . . .

1. *You can cut parts maintenance almost in half.* A G-E Slimline system has about half as many parts as a standard 40-watt system, yet it produces the same amount of light.

2. *You get 5% higher efficiency* from General Electric Slimline lamps than from standard 40-watt fluorescents. You get more light for every dollar of electricity.

3. *You can make your place look better.* Slimlines start instantly, with no blinking. They have an excellent record of uniformity and long life because of General Electric's outstanding quality controls and manufacturing experience. Available in all popular colors.

There are 14 combinations of tube length and diameter to fit your space requirements. Specify General Electric on your next order for slimline lamps. General Electric Co., Large Lamp Dept. C-13, Nela Park, Cleveland 12, Ohio.

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The nearsighted MISTER MAGOO says . . . "1945? Who could forget that year? Eagle-eye Magoo was mustered out of the Aircraft-Spotting Command, and General Electric invented the slimline lamp. Happy birthday, Slimline! Sounds —they don't make these telescopes like they used to!"

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## REGIONS



FAMOUS MOVIES and TV series were filmed in the Twentieth Century-Fox sets that are here being mowed down by a bulldozer.

# Model City on Old Movie Lots

Los Angeles had not yet begun to stir early last Monday morning when two dozen lawyers arrived at the offices of Title Insurance & Trust Co., in the heart of the city's financial district. They emptied their briefcases of documents and checks, verified their accuracy, and turned the load over to the title company with a sigh. A messenger then hustled the papers to the county recorder's office.

He had to be there before the office opened at 8, to be sure there would not be a cloud on a title in what was one of the largest cash land deals in U.S. history: Twentieth Century-Fox Film Corp.'s \$43-million sale of its West Los Angeles properties to a joint venture of the Aluminum Co. of America and Webb & Knapp, Inc.

Eighty acres of indoor plant were leased back to Fox. On the 180 acres of former back lots that remain, Alcoa and Webb & Knapp intend to build Century City (picture), the largest privately financed urban development in the U.S.—\$500-million worth of apartment houses, office buildings, a hotel, shopping and other facilities.

• **Something for Each**—Although there was little drama at the title company, save for the phone call from the messenger that all was well, everyone was fully aware of the importance of this huge transaction to the principals:

To Fox, the deal means not only \$43-million in cash but also the good chance of further profit from redeveloping its

leased-back 80 acres for commercial or residential use after a minimum of five years.

To Alcoa, it means not only gains over many years from investment in real estate but also a spectacular showcase for aluminum as a building material. Reynolds Metals Co. is also showcasing its product, though by a different method (BW-Apr.15'61,p153).

To Webb & Knapp, it means the chance to develop a highly desirable piece of land in an ideal long-term partnership—one that permits it to combine its real estate knowhow with Alcoa's cash and credit.

• **Four-Year Pull**—As clear-cut as this deal sounds, it was not easy to consummate. By the time ground is broken in a few weeks, four years will have elapsed since Spyros P. Skouras, president of Fox, first toyed with the idea of selling the land.

Like all the movie companies, Fox had been hit by one problem after another: television, a decree against owning theaters, the rush to independent production, the rising cost of making movies. In addition to all the other consequences was the cut in the number of movies that Fox produced—and the growing share that were produced on location.

This change in movie economics made one thing clear to Skouras: Fox's 260 acres were worth more as real estate—particularly the 160 acres of back lots where sets, dating from the colonial



CENTURY CITY will follow general ideas in this model, with shopping center and office buildings in foreground scheduled for first phase of construction.

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mansion built in 1934 for Shirley Temple's Little Colonel simply sat idle, while all around them Los Angeles and its suburbs boomed.

Skouras got the ball rolling. He first hired Homer Hoyt, a Washington land expert, to make an estimate of what the land was worth. Hoyt came up with figures that supported Skouras' intentions, but Skouras thought the land was worth more than Hoyt said it was.

He then hired Edmond E. Herrscher, a man with both merchandising and land development experience, to take charge of the property development for Fox; engaged architect Welton Becket to draw up a master plan; began talking to developers such as Webb & Knapp's William Zeckendorf.

• **Deals Fall Through**—In April, 1959, after months of talk, Skouras and Zeckendorf shook hands on a deal: Webb & Knapp would pay Fox \$56-million in installments over 10 years, would lease back 80 acres to Fox for 20 years.

That deal fell through, however. Zeckendorf gave a higher priority to building a hotel in New York, and he didn't have the cash for both. So in May, 1960, he arranged to sell his rights to Kratter Corp. and negotiated with Fox for new terms: \$43-million in cash. Within a month, however, Kratter also pulled out.

Given a second chance, Zeckendorf decided to stay in, on the new all-cash basis. He sold the hotel site and, after weighing several alternatives for raising capital, approached Alcoa. He had come to know Alcoa particularly well since spring of 1959, when they discussed Alcoa's providing the aluminum for his proposed hotel. In August, Alcoa acted favorably on the Fox venture, and Fox's shareholders approved in October. Closing was set for this week.

• **Fits With Alcoa**—Such a proposition might have been too far afield for Alcoa in the old days when it, as the giant of U.S. aluminum, tended to be set in its ways. But during the 1950s, Alcoa had demonstrated a new vitality.

It had done a number of unexpected things—from sponsoring Guy Lombardo's racing of an all-aluminum jet hydroplane to sponsoring the much-discussed television show, See It Now. It had made a major breakthrough in aluminum for construction by building its 30-story aluminum-sheathed home office building in Pittsburgh.

• **Fox Interest**—Fox shareholders had to be reassured that the new \$43-million agreement was superior to the old one for \$56-million. There was no doubt that the all-cash feature of the new one was attractive, but the pledge of a more orderly development and the feature of a 99-year leaseback were even more convincing.

A developer picking up the land in parcels while paying the \$56-million in



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2547

# JOY

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installments might have had to resell the land to raise cash, leading to helter-skelter development. And the opportunity to develop its own 80 acres after five years will permit Fox to cash in on land values that will have been increased by Alcoa and Webb & Knapp—without need for Fox to shell out a cent. (Fox still would produce movies at its Western Avenue studios in Los Angeles and on its 2,300 acres in Malibu Canyon north of the city).

• **Joint Venture**—Originally, Alcoa and Webb & Knapp decided to form a corporation, 91091 Corp., to develop the Fox land. In keeping with its reluctance to seek control of such development corporations—it does not want to offend real estate developers who might be its customers—Alcoa wanted to put up only 40% of the capital.

For Century City, this policy was changed partly for tax reasons, the two dissolved the corporation and contracted to set up a joint venture in which Alcoa would provide the financing—both for the land purchase and for development—and Webb & Knapp would handle development.

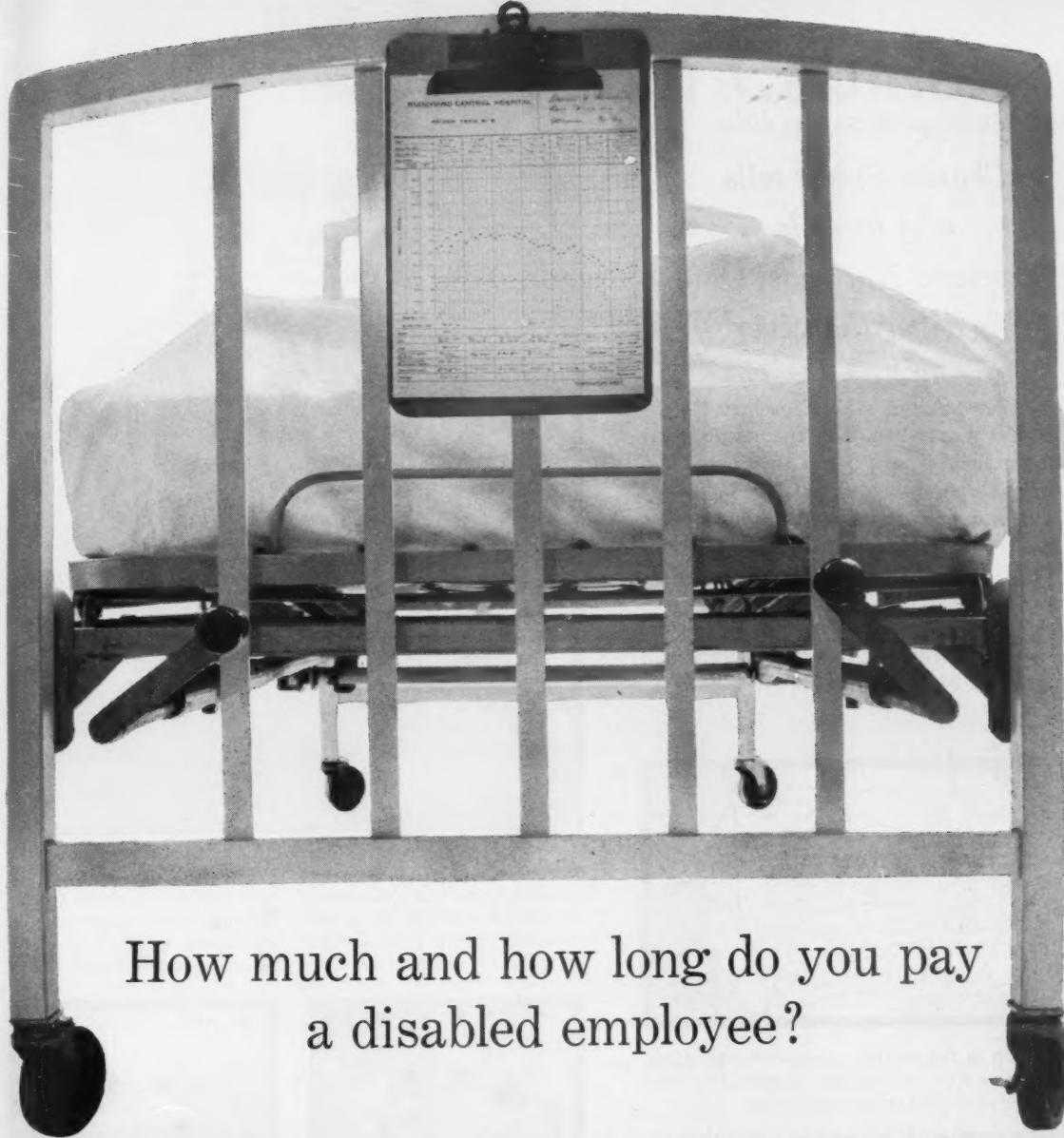
Toward the purchase price, Alcoa obtained a \$12.5-million mortgage loan from the Equitable Life Assurance Society of the U.S. on Fox's 80 acres and sold its own notes to two Pennsylvania pension funds—\$13-million to the Public School Employees Retirement Fund and \$5-million to the State Employees Retirement Fund.

In return for its money-raising, Alcoa gets title to the property and two-thirds of the profits; Webb & Knapp gets one-third of the profits.

• **Flexibility**—One of the key reasons behind this change lies in the apparent incompatibility of the two partners, a huge manufacturing company and a good-sized real estate concern. In the early stages, Webb & Knapp might be able to match Alcoa's cash as money was needed. But the future was uncertain. Some day Alcoa might want to throw in more money to speed up the development than Webb & Knapp could afford to match without selling some properties it wanted to keep.

This way, both Alcoa and Webb & Knapp stand to benefit. Alcoa gains the confidence of knowing that, at least as far as financing is concerned, it will not be held back by its associate. And Webb & Knapp enjoys a stake in a long-range development of property, instead of merely buying land wholesale and then retailing it for a profit as it otherwise might have had to do.

Plans have been changed since Beckert's original design, and quite likely they will change again, but the first stage will include at least a 13-story office building and the shopping center with a department store for Broadway-Hale Stores, Inc. END



## How much and how long do you pay a disabled employee?

Whether injured or ill, whatever the trouble, he may be disabled for months—even years. And he needs financial help.

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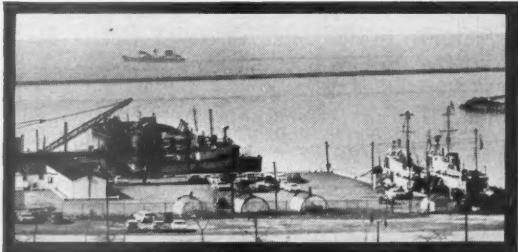
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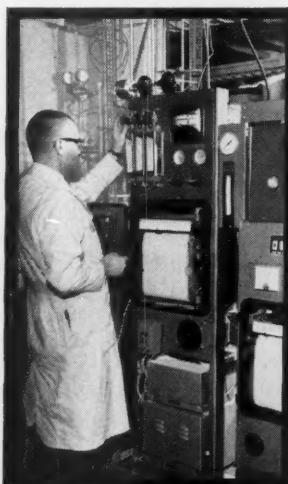
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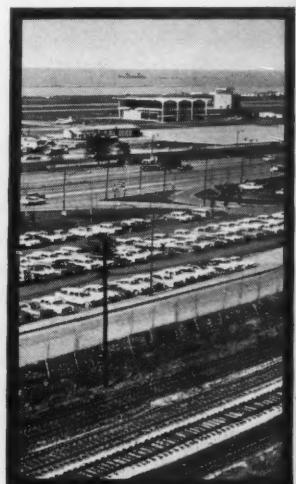
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## GOVERNMENT

# Cities Poised to Join Cabinet

• The proposed Dept. of Urban Affairs & Housing could become one of the most important in the Cabinet.

• It represents the city vote, which is getting ever more powerful with the trend to urbanization.

• Housing Administrator Robert C. Weaver, most likely candidate for Secretary, faces Southern opposition.

The new Dept. of Urban Affairs & Housing (BW-Mar. 18'61,p32) to be created by the legislation Pres. Kennedy sent to Congress this week could well become one of the most powerful Cabinet seats. It could also boil up into a hot political issue, depending on whether Kennedy appoints Robert C. Weaver, a Negro, to head the department.

At the outset, the department's main responsibility would be the government's housing and slum clearance programs. But its potential power becomes obvious when you consider that:

• Most U.S. citizens now live in cities, rather than in rural areas, and the trend to the metropolitan areas will continue.

• This means that the city voter in national politics will be more than ever courted in Presidential elections.

• Moreover, the official or candidate who can boast of his success in bringing federal tax money to the city has a leg up in local politics.

• City Grab-In obtaining a Cabinet-level department, cities got in ahead of other groups—such as the transportation industry and veterans—that had been plugging for their own departments. Aside from the prestige of having their own Cabinet seat, the chances are that cities will get more out of Washington—for such things as housing, highways, airports, and anti-pollution programs.

Already, legislators representing rural constituencies criticize the trend to grant federal grants and loans directly to cities, instead of through state governments that are districeted to favor rural voters. But the mayors are a major political pressure group on Congress and on the President today, and they will become more so with their own man in the Cabinet.

• Setup—The proposed legislation would create the 11th federal department out of the present Housing & Home Finance Agency, now a grab bag of five housing agencies headed by Weaver. As Housing Administrator, Weaver has direct authority over some of them and "coordinates" the others.

The new department will be headed by a Secretary, an Under Secretary, and three Assistant Secretaries. One Assistant Secretary would be in charge of the insurance programs (now centered in the Federal Housing Administration, headed by Neal J. Hardy); one would have urban renewal (now headed by William L. Slayton); and one public housing (now headed by Marie C. McGuire). Community facilities and college housing programs would probably be placed under either Slayton or Mrs. McGuire.

The functions and authority given by Congress to these existing agencies would be transferred to the Secretary, and he would then delegate his powers to the Assistant Secretaries in charge of the particular program.

The Federal National Mortgage Assn. would be kept much as it is now. The authority and functions of Fanny Mae would be transferred to the department rather than to the Secretary. The Secretary of Urban Affairs & Housing would be chairman of the board of the corporation—a position Weaver now holds. The operating head of Fanny Mae would continue to be the president, now J. Stanley Baughman.

All the heads of the constituent housing agencies of HHFA would probably become Assistant Secretaries of the new department.

## I. Political Hassles

One big political issue hinges on the top job: Will Kennedy name Weaver as the first Negro Cabinet member?

The political maneuvering was already under way when Weaver was named Housing Administrator. It will become more heated as the legislation moves through Congress.

Mayor Richardson Dilworth of Philadelphia is a leading candidate—and some say that he, rather than Weaver, is the front runner. Both obviously are qualified for the job, and both have strong political support in the big city Democratic machines that are most directly involved. Another name men-

tioned: Joseph P. McMurray, now chairman of the Federal Home Loan Bank Board, who has a long record as a housing expert working for the Democrats in Congress.

• Pre-Message Hassles—A couple of political struggles were already decided before Kennedy sent up his legislation. One leaves intact with the Commerce Dept. its multibillion-dollar highway program. About half of the \$3-billion per year actually is spent in urban areas—and a case was made that the new department should have the say-so in these areas.

But Commerce Secy. Luther H. Hodges, a vigorous defender of his own empire, fought this off. Similarly, Health, Education & Welfare Secy. Abraham A. Ribicoff resisted suggestions that his department's programs against stream and air pollution—largely urban problems—should be under the wing of the new department.

Besides these, there have been a couple of other battles to nip away some of the new department's functions.

The Interior Dept. wants the "open land" program that Kennedy proposed in his housing message. Kennedy is backing a bill by Sen. Harrison A. Williams, Jr. (D-N. J.) that would provide federal matching grants of \$100-million a year to buy up land in urban areas for present or future use for recreational purposes.

Another fuss is over which department gets the incipient federal programs—of key importance to most large cities—to aid mass transit systems. Again, Williams has a bill calling for a \$325-million federal program, and again, Hodges argues that it belongs with his department, which already has an Under Secretary for Transportation and experience in urban highway planning and construction.

On this one, Hodges probably will hold his own by retaining responsibility for the operation of any grant or loan programs—with the new department having the authority for planning and demonstration programs.

## II. Plans Aid Business

Regardless of the outcome of these hassles, the man who gets the department will start off with a substantial organization of more than 11,000 employees in 100 offices around the country. He will insure billions of dollars of mortgage loans for homeowners, subsidize slum clearance and public housing projects in hundreds of cities, lend billions for college dormitories and

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other college facilities, buy bond issues from communities that can't otherwise market them, finance experimental housing programs, and subsidize houses for the elderly.

Already, through the Urban Renewal Administration, which he will inherit intact, the new Secretary will have a hand in more and more central city developments of which housing is only a part.

For instance, the Urban Renewal Administration—for which Kennedy is asking \$2.5-billion to be committed over four years—already subsidizes redevelopment of slums and blighted areas for commercial and industrial use. At present the agency pays two-thirds of the new cost of acquiring and clearing a blighted area for sale to the redeveloper. That is, federal funds pay two-thirds of the difference between the cost of clearing the land and making it ready for sale, and what the sale to the developer brings in.

- **Scoreboard of Projects**—As a matter of fact, commercial and industrial development in central city areas is a substantial part of hundreds of projects around the country already.

One URA compilation shows the following breakdown of 496 projects: 245 are either exclusively or predominantly residential; 100 are either entirely or mostly commercial developments; and 86 are exclusively or predominantly industrial. The remaining 65 are parks and the like—public, but not residential.

These 186 commercial or residential projects are spotted in large and small cities all around the country—some long-completed, some in the works. Among these projects: Chicago's West Central Industrial Project (50 acres all industrial); Cincinnati's Kenyon-Barr Project (296 acres, all industrial); Norfolk's Project No. 1 (123 acres, commercial and industrial); Evansville's High Street Project (36 acres, all industrial); and St. Paul's Upper Levee Project (11 acres, all industrial).

- **Ultimate Goal**—In addition, of course, many urban renewal projects built around housing contain stores, playgrounds, theaters, and other facilities to make an area livable. The ultimate ideal, according to the Urban Affairs enthusiasts, is to encourage cities and neighborhoods in cities to be integrated in many different ways: low, middle, and higher-income groups interspersed; races integrated rather than separated; industrial and commercial facilities integrated with housing; cultural facilities including parks and recreational facilities integrated into their plans; and all this planned to take highways and mass transit into account.

All this sounds like Sunday supplement material—but the charter is laid down in the national policy spelled out in the legislation. **END**



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# AMERICAN AIRLINES



## Better Watchdogs

Kennedy calls for sweeping overhaul of Federal Power Commission and procedural changes in other agencies.

Pres. Kennedy's drive to improve the federal regulatory agencies will be gradual and piecemeal, rather than by frontal assault.

This was implied by Kennedy's message to Congress last week on the agencies, in which he called for a sweeping overhaul of the much-criticized Federal Power Commission, including some major policy changes. But he did not chart any specific new courses for the other commissions.

He asked for legislation that would increase the Power Commission from five to seven members and suggested it be divided into panels that would handle natural gas and electric power matters separately. He also proposed exempting from regulation small natural gas producers, as well as certain pipeline construction, and asked that the commission be given broader authority to make sure consumers ultimately get rate refunds if orders.

• **General Proposals**—The President's other proposals dealt with improving the internal operations of all the commissions. He recommended:

- Greater delegation of decision-making authority to agency examiners, employee boards, and panels of commissioners—except in very important cases, which would be heard by full commissions. This would speed up decisions, free agency members from minor casework, and enable them to devote more time to major issues.

- Strengthening the powers of agency chairmen so that they will be in fact as well as in name chief administrative officers and therefore fully responsible for procedural operations.

- Organization of an administrative conference of distinguished jurists, lawyers, scholars, and government officials to keep a continuing watch on the efficiency of agency procedures.

- **Going Slow**—Compared with the ideas for improving the agencies put forth earlier by Kennedy adviser James M. Landis, the message was mild. Kennedy reiterated, however, that both Congress and the President share control over the agencies—a view that angers legislators, who regard the agencies solely as creatures of Congress.

Kennedy is expected to move gradually toward Landis' aims and, in subsequent recommendations to Congress, to take a closer look at the operations of specific agencies, particularly the Federal Maritime Board. **END**



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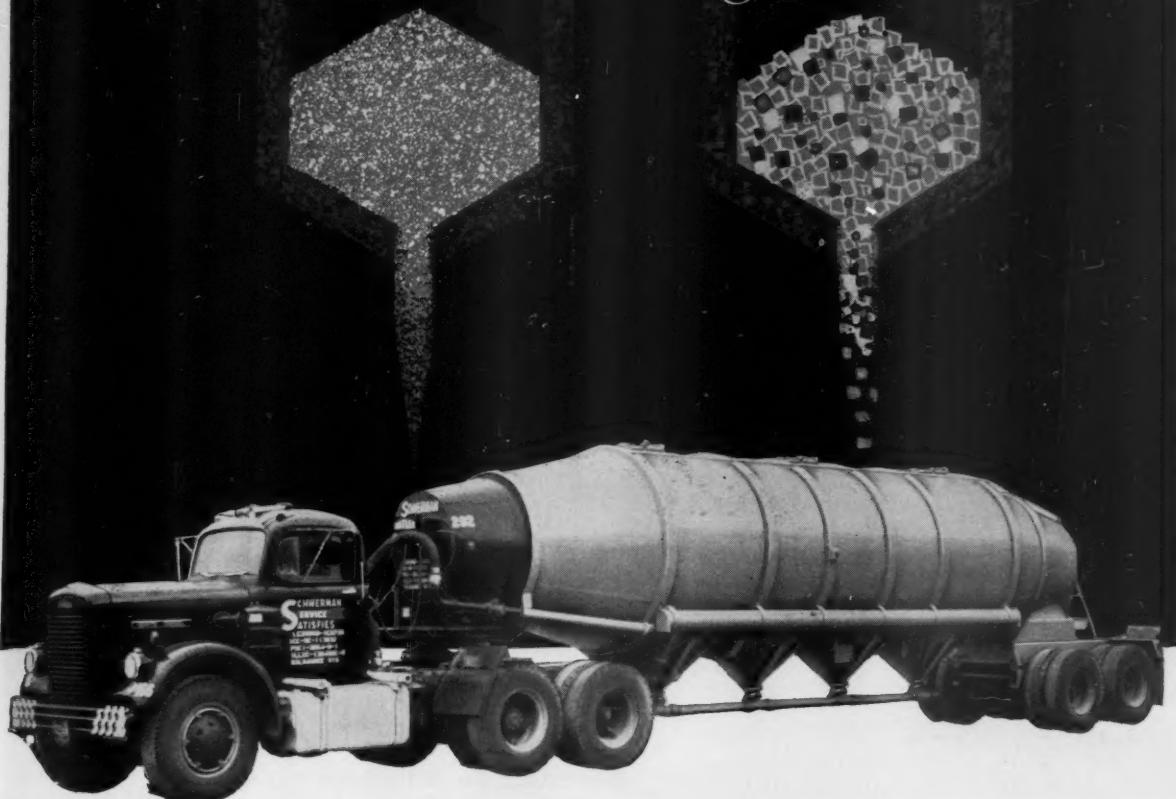


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# In the Markets

## Stock Prices Fall Back From Peak, But Major Decline Is Held Unlikely

After hitting a new record peak, stock prices moved down this week on reduced trading volume. Brokers attributed the moderate setback to a combination of factors—the spate of poor first-quarter earnings reports (page 30), uneasiness about the fighting in Cuba, and warnings about the high level of stock prices. Many feel that a correction has been overdue, but few expect it to amount to much unless investors are surprised by some unexpected developments. The fact is that investors are still stock-minded and have the funds to step up their buying.

Some brokers say that the market is now at a point where considerable profit taking can be expected. They emphasize that the big rise in prices—from 560 to 695 on the Dow-Jones industrial index—has occurred over the past six months, so that those who were in at the beginning can now take gains that will be taxed at long-term rates. Thus, the expectation is that the rise will be slower—and more selective—than it has been.

But although future advances may be harder to achieve, Wall Street does not see any major decline in sight. Analysts think most investors will look past the earnings reports of the first quarter, and they expect that the Cuban revolution is unlikely to have a major impact—unless the conflict broadens.

## American Stock Exchange Bans Stop Orders on Round Lots

The American Stock Exchange this week sought to slow down the market by banning the use of stop orders. Pres. Edward T. McCormick announced that starting Apr. 24 specialists may no longer accept regular stop orders on round, or 100-share, lots.

There has been growing concern over the extensive use of stop orders—which specify that a stock be bought or sold when the price hits a certain level. The New York Stock Exchange has banned stop orders in specific stocks, but this is the first time a major exchange has instituted a ban on all listed issues.

McCormick said the ASE acted because stop orders are being entered by people who do not fully understand them. If a stock sells at or below the price at which the regular stop loss order is pegged, the stop order automatically becomes a market order, and the stock is sold at the current market price, not necessarily the price at which the order was placed. This selling can have a snowball effect.

Many Wall Street observers feel that ASE has not gone far enough, however, because the way is still open to determine stop-order speculators. The ban applies only to round lots—a seller can circumvent the ban by breaking his orders up into small blocks of up to

99 shares. And the ban does not apply to stop-limit orders to sell only at a stated price, in either round or odd lots.

## Kirby Forces in the Lead

### In Fight for Control of Alleghany

The fight for control of Alleghany Corp. was still undecided this week, but the talk in Wall Street was that Alleghany Chmn. Allan P. Kirby had the edge over the Murchison brothers, who are challenging his stewardship.

At midweek, the Kirby forces claimed a direct hold on some 35% of the common, with the Murchisons holding 26%. But both sides are said to be ready to report additional holdings totaling at least 600,000 shares to the SEC.

A mad last-minute rush to convert preferred shares into Alleghany common took place last week. Kirby spent \$4.6-million to convert preferred shares into 1.2-million common shares. And the Murchisons spent \$5-million to gain 1.4-million common shares. This swelled Alleghany's coffers by close to \$10-million, which led to speculation as to what Kirby might do with the money before the May 1 annual meeting.

The two sides have intensified their proxy solicitations. Each started a wine-and-dine campaign of Wall Street partners and brokers, who hold the balance of power in the struggle.

## Bond Market Is at a Standoff

### As Treasury Plans Cash Refunding

Attention in the bond market focused this week on the pending Treasury cash refunding of \$7.8-billion of certificates and notes due May 15. The Treasury announced that the new securities it plans to offer can be bought for cash by any investor.

About \$4.8-billion of the maturing securities are held by public investors; the rest are owned by the Federal Reserve System and government trust funds.

The exact terms of the new offering probably will come next week. But some bond dealers favor either a single 18-month issue at 3 1/4%, which would be attractive at current market rates, or a split issue—a one-year obligation at 3%, coupled with a 2 1/2-year note, which might find buyers if the coupon is over 3 1/4%.

Bond underwriters say that pricing new issues is very difficult right now. They think that the economic recovery will mean an increased demand for money, tending to push bond prices down—and yields up. But they also say that the Administration appears determined to keep long-term rates from increasing while unemployment and excess capacity are so much in evidence.

The Federal Reserve is cooperating, although rates are bound to rise if demand for funds shows a substantial increase. This week, U. S. Steel sold \$300-million in bonds, priced to yield 4.55%. At midweek, there were still some bonds available, but although the size of the offer tended to depress other bond prices, dealers think it will exert only a temporary influence on the market.



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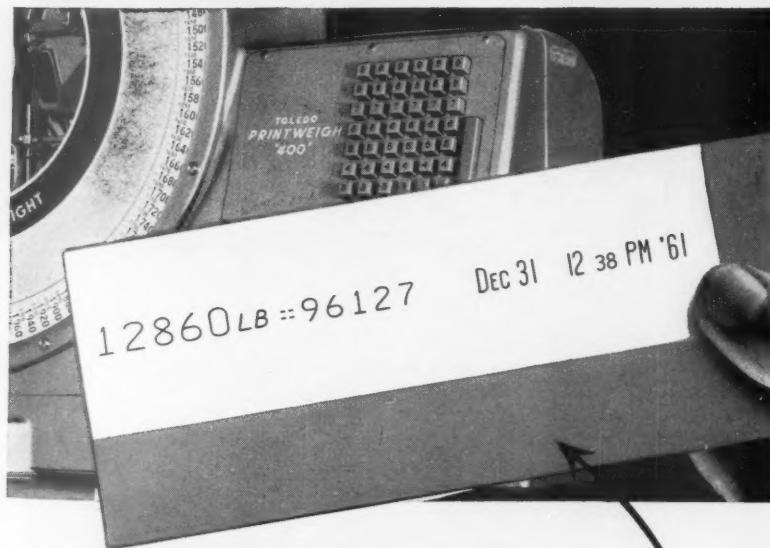
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## Wall St. Talks . . .

. . . about Cuba's effect on stock values, bank stock-buying policies, C-E-I-R's sharp ups and downs.

The anti-Castro rebellion brought a short-lived rally to stocks of companies with holdings in Cuba. But most of them fell back when the rebels failed to make fast headway. Some Wall Street men doubt that U.S. companies will be able to get back all their holdings even if Castro is eventually ousted.

One of New York's big banks is paring down its equity purchases for pension fund customers. It believes that corporate earnings do not justify the present level of stock prices. It's in a minority, though. Most banks are continuing to buy stocks.

Reports persist that Allan P. Kirby, warring with the Murchison brothers for control of Alleghany Corp. (page 134), sold some of his holdings of Investors Diversified Services stock to help pay for his purchases of Alleghany stock. IDS is Alleghany's prize possession.

The Japanese Finance Ministry's easing of restrictions on repatriation of foreign capital sent Tokyo stock averages to a new high. The advance was paced by issues that are expected to be traded in the U.S. through American Depository Receipts. Issuance of ADRs was officially approved some time ago, but banks and dealers have been holding back because of the repatriation problem.

C-E-I-R, Inc., the Virginia-based computer service company, has been having a wild time in over-the-counter trading. After a 2-for-1 split near \$80, the stock jumped in eight days from \$51 bid to \$87 bid. Then it went downhill fast, touching \$55 bid at mid-week; one day, it lost 22 points. Brokers attribute the fast rise to a squeeze on short sellers; the fall came after the shorts had covered at big losses. The company says the rise was largely based on news that Lehman Bros. had bought 60,000 shares, while the fall came after two articles in a Washington paper called attention to the stock's gyrations.

Ogden Corp. moved to a 1960-61 high of 20½ on the AMEX this week on rumors that the company is finally due to receive a favorable tax ruling on its plan to spin off Teleregister Corp., which is 99.9% owned by Ogden.

# PERSONAL BUSINESS

BUSINESS WEEK  
APR. 22, 1961



The arrival of spring—and Gary Player's exciting win in top competition at the Masters Tournament recently—may be turning your thoughts more and more to golf. If so, you might consider combining vacation plans with sport, on a tour of Europe's many excellent courses. They offer a new challenge to your skills, scenic surroundings, and a hospitable atmosphere. Usually you'll find accommodations—ranging from comfortable to de luxe—located conveniently near the course.

At most leading European courses, your membership in a golf or country club at home will give you entree. Sometimes, though, it helps to know someone who can introduce you as a guest. At most places equipment is available for rent, if you don't want to tote your own woods and irons along.

Here's a rundown on some of the most interesting courses to play in Europe, starting with the British Isles:

**Scotland.** To the east overlooking the sea is golfdom's hallowed club, the Royal and Ancient, at St. Andrews (near Glasgow) with four public courses—Jubilee, Eden, the New, and the Old. Mecca of golfing pilgrims, the Old course is loaded with tricky bunkers and hidden traps.

**Muirfield**, near Gullane on the Firth of Forth, is headquarters of the Honorable Company of Edinburgh Golfers. You'll need good connections (an introduction by a member is best) to play on this most exclusive Scottish course, the scene of several British Open Championships.

**England.** Two high-rated courses are located in Kent. At Royal Cinque Ports, near Deal, high dunes guard the greens, making approach shots difficult. Close by Sandwich is Prince's, known for its windswept fairways. Both clubs are open to members of the Golf Society of Great Britain, which has the welcome mat out for overseas visitors. Write to the society's secretary at Sandilands, Sandwich Bay (3-yr. membership, \$15).

At Sunningdale Golf Club, Berkshire, a half hour from London, are two fine courses, sprinkled with villas, gardens, and pine groves. Members of recognized U. S. golf clubs are admitted. You contact the club secretary.

**Ireland.** Dotted around the Republic's coast are at least 20 first-class, 18-hole courses. At Portmarnock, 10 mi. from Dublin, where the 1960 Canada Cup matches took place, you'll walk on uniform seaside turf—but be prepared for changing sea winds that may cost you added strokes.

**Woodbrook**, not far from Dublin, also is beside the sea. But here you may card a better score than at Portmarnock; there aren't hills and strong winds to contend with. **Killarney Golf Course**, 200 mi. south of Dublin, is picturesque—U. S. visitors compare it with Cypress Point and Pine Valley.

At Irish golf courses only a few dollars a day will cover greens fees, caddy, lunch, and afternoon tea. Prior arrangements seldom are necessary.

## On the Continent:

**France.** Best place to play near Paris is the St. Cloud Golf Club in Garches, with two 18-hole courses. Write to the club secretary.

On the Channel Coast is the Deauville Golf Club with 9-hole and 18-hole courses. And in the Maritime Alps, above the Riviera, is the Cannes Country Club in Mougins, with 18 holes.

**Holland.** Most centrally located is Duivendrecht course, near Amsterdam. Situated among dunes and woods are the fashionable Kennemer Golf Club at Zandvoort, near Haarlem, and Hilversum Golf Club. Other fine links are at Eindhoven, Twenthe, and Noordwijk. Dutch golf clubs are

# PERSONAL BUSINESS (Continued)

BUSINESS WEEK  
APR. 22, 1961

private, but you will probably find it fairly easy to get introductions.

**West Germany.** Championship courses are at Hamburg Golf Club in Falkenstein, suburb of Hamburg, Frankfurt Golf Club, Cologne Golf and Land Club, and Krefeld Golf Club, all private. Courses are long (5,000-7,000 yds.) and difficult. As a visiting business executive, you can play without being a member's guest or giving advance notice.

Scattered about the country are several resort clubs for those who prefer to mix leisurely golf with other activities. The Golf Club Baden-Baden is a good example. Located in the mountains above Baden-Baden, it has both a golf hotel and the Hotel Selighof. The course is short (4,000 yds.) and not difficult (par 66). You can play tennis, swim, walk about the countryside, and, in the evening, visit the city's casino and night clubs. Bear in mind, though, that reservations should be made early.

Note: If you plan to golf on weekends, be sure to inquire in advance. Not all courses are open Sundays, and some are closed to non-members.

Convenient way to sample golfing abroad is an escorted tour. One offers play on 10 courses in Ireland and Scotland, takes 17 days (from \$535, including jet fare; Tourways, 507 Fifth Ave., New York 17).

—•—

With high-quality Havana-made cigars fading from the market, you may be testing other types and brands. One note on future supply: Superior "clear Havanas"—made in the U. S. with Cuban leaf—will be available for another one to two years, say experts—even without further imports.

If you want to experiment with some non-Cuban imports, you might try the Royal Jamaica cigar, a quality handmade Caribbean product. For 37¢ to \$1 each, you get a seasoned, light-flavored smoke. A 25-box of 5½-in. corona-style is \$13.75 (order from Cigarcraft, Inc., Lodi, N. J.). You can expect to see this brand, along with two or three other Jamaican labels, in better cigar shops in the next few months.

Among Philippine imports, two brands are getting favorable comment—though, here again, others will be coming to this country soon. One is Alhambra—a medium smoke, not so heavy as Havana. A 25-box of 7-in. corona-style is \$8 (Ansor Corp., 120 Montgomery St., San Francisco). The other is Tabacalera, also on the medium side. In New York, you can get them at the shops of Peterson's Ltd.; or order a 25-box of 6¾-in. coronas for \$7.25.

—•—

Upjohn Co.'s Veterinary Division has announced a new oral contraceptive drug for dogs, said to be effective without permanently destroying fertility. It's available through veterinarians only (page 86).

—•—

For a description in layman's terms of how Russia put a man in orbit, you can read a new book, *Soviet Space Technology*, by Alfred J. Zaehringer (Harper, \$3.95). It details the history of rocket and missile science from Czarist-day experiments to the type of hardware that lifted Yuri Gagarin into the headlines.

Another book examines shadows on the Soviet scene; it's *The Secret Speech*, by John Robinson Beal (Duell, Sloan & Pearce, \$3.50). In a razor-edge satire, Beal imagines what Khrushchev's successor in the Kremlin might say in a speech to a Communist Party Congress—about Nikita.

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NEGATIVES are spliced and rolled before being used to make positive microfilm copies for library and business customers. Here, University Microfilms' Pres. Eugene Power checks operation.

## PRODUCTION

# There's Money in Microfilms

University Microfilms, Inc., a pioneer in this field, has booming business in turning out inexpensive printed copies of rare, hard-to-get books and periodicals.

By conscious design or not, Eugene Power over the years has transformed the interior of his modern office building into a labyrinth of narrow passageways, winding stone staircases, monkish work cells, and dimly lighted vaults containing much of the world's great and not-so-great literature. The building resembles a modern version of a medieval monastery, but in actual fact it is the headquarters of a \$1.2-million-a-year business.

The vaults' treasure consists of hundreds of thousands of small spools of microfilm on which are reproduced 1.25-million "titles"—from some of the first books that ever came off an English printing press in the 15th Century to copies of 1,500 popular magazines and technical journals of today.

• **Everybody's Treasure**—Up until three years ago, this treasure was available to customers only on microfilm copies of the original spools for use in reading machines or on more expensive photostatic reproductions. In 1958, however, the use of a different reproduction process brought printed-on-paper copies well within the reach of the general public.

Now for 3½¢ a printed page, any businessman, scholar, or general reader can draw from the wealth of information contained in out-of-print books and otherwise unavailable dissertations and 50-year-old back issues of magazines.

At this price, he can get his own

library copy of an 1821 printing of Shelley's Adonais for \$2.50 or of an out-of-print The Treasury and Monetary Policy, 1933-1938 for \$8.40.

• **Service for Businessmen**—The businessman, using the service of Power's University Microfilms, Inc., of Ann Arbor, Mich., can build a complete reference file of technical information relating to his business. University Microfilms ships out 300 dissertations a week to businesses and serves as a national clearing house for scientific papers that would have little circulation otherwise.

And while everybody is bewailing the paper avalanche of modern publishing, Power, the reserved and scholarly president and owner of the company, is trying to provide more information than ever available before—but only on demand. He is reviving the centuries-old concept of one-at-a-time publishing, and he boasts that no out-of-print book, if he can find and film it, is really out-of-print.

### I. The Reproduction Business

Although University Microfilms is only one of several reproduction companies, it is regarded by librarians as perhaps the most variegated. There is hardly a service in the field that it doesn't offer. Ninety percent of the company's business is in the academic field, but it does provide mass copying



CAMERA technician at University Microfilms films one of 1,600 periodicals and newspapers regularly reproduced on microfilm for libraries.



DEVELOPING unit runs positive film copies off at 125 ft. minute. Operator just outside darkroom throws switch to stop developed strip for cutting. Next thorough inspection.



XEROX MACHINE used to produce "one-at-a-time" printed copies is explained to new operator by Pres. Power. Machine produces printed paper roll from microfilm negative.



**"Today The Travelers saved a life . . ."** wrote Electronic Communications, Inc. of St. Petersburg, Fla. "We were lifting equipment by lift-truck to a high balcony . . . the load shifted . . . and a 200-lb. transformer would have struck our lift-truck operator if it hadn't been for the canopy guard we installed at the recommendation, and persistence, of the Safety Engineer from Travelers." The Travelers has helped policyholders prevent industrial accidents since 1888. It's part of the service you get with Travelers Workmen's Compensation and Public Liability insurance. See your Travelers agent or broker.

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services for businesses and government at all levels.

• **Small Beginning**—Eugene Power founded his company in 1938 in the rear of an undertaker's parlor. He concentrated on microfilming newspapers, periodicals, out-of-print books, doctoral dissertations, and scholars' theses for sale to universities and public libraries.

This proved so profitable that he was soon able to move into a single office building. Since then, by adding extensions to the building he has expanded five times, each time by twice the existing space—and within so cramped an area that the building became a maze of passageways, vaults, and darkrooms not unlike the interior of a medieval monastery. And something of the spirit of scholarship—and a bit of the drudgery, too—that kept learning alive in the medieval monasteries is apparent among the 100-odd darkroom workers, editorial clerks, and vault tenders.

It is more apparent in Power himself, who dominates his privately owned and profitable business like a versatile head monk. He is, at one and the same time, idea man, chief salesman, scholar and writer in the field of publishing, and technical expert in microfilming.

• **Crusader**—More important, Power feels he is engaged in a fight, at some odds, to prevent the records of one civilization from deteriorating. It has long been known that the wood pulp paper in general use since about 1870 doesn't have the lasting quality of rag paper.

Experts estimate that anything printed on wood pulp paper is doomed to extinction within 200 years. Already newspapers of only 50 years ago, stacked in University Microfilm's storage rooms, are so brittle that they fall apart upon touch.

Many micro-reproduction companies have jumped into the breach, building on Power's pioneer work, and now there are many more "copyists" than there were printers five centuries ago. University Microfilms is no longer the biggest in the narrow area of simple microfilm reproduction.

## II. One-at-a-Time Publishing

University Microfilm's venture into publishing originated a few years ago when it was becoming clear that in order to maintain his company's annual growth rate of 25%, Power had to move with new ideas. He had built up the biggest independent microfilm library in the world with some not very profitable but far-sighted projects on out-of-print books.

• **Scholarly Stockpile**—During World War II, for instance, University Microfilms put on film thousands of manu-

# *How many good workers will you lose this year?*



Labor turnover is a costly item. It can never be eliminated, but it can be substantially reduced—by air conditioning.

How significant is the saving? One northeastern clothing maker dropped a \$15,000-a-year training program after Carrier air conditioning was installed. A large electronics company reports a 33% reduction in annual labor turnover. A leading watch manufacturer—15% less turnover.

But decreased labor turnover is only one contribution of factory air conditioning. Absenteeism also goes down. Productivity rises. And product quality improves. Totally, these gains are usually enough to pay for the system in two or three years!

**Will air conditioning pay off for you?** Answer the following four questions to find out quickly. Only

two "yes" answers indicate that you can expect substantial benefits.

1. Does your plant average one or more workers per 300 square feet?
2. Do you pay annual wages, including fringe benefits, of \$25 or more per square foot?
3. Does one out of seven of your workers quit every year?
4. Does labor amount to 25% or more of your manufacturing cost?

**Did you answer "yes" to two or more?** If so, you owe it to yourself to make an air conditioning investment analysis of your plant. Your engineer or consultant can do this in a few hours by using the Carrier Investment Analysis. Write for a copy to Carrier Air Conditioning Company, Syracuse 1, N. Y. In Canada: Carrier Air Conditioning Ltd., Toronto.

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... it will pay you to check HARPER on all your **corrosion-resistant** fastening requirements!



8

scripts in English libraries threatened by German bombs. These microfilm files are now in the Library of Congress. And back in the 1930s Power had begun microfilming all books published in the British Isles between 1475 and 1640 that are included in the scholar's well-known Pollard and Redgrave Short Title Catalogue.

In addition, his vaults were lined with canisters containing microfilm of 70,000 pages of rare Americana up to 1800, a goodly portion of English books published from 1641 to 1700, all pre-1750 Irish newspapers and thousands of out-of-print books of this century.

"One day," Power says, "I thought, 'God, we've got all this negative and it ought to be perfect for producing books.'" So about three years ago University Microfilms began publishing printed copies of its microfilm treasures.

• **Process**—It uses the Xerox process, a method of dry printing based on electrostatic rather than light-sensitive chemical principles. The copies, on ordinary bond paper, look more like printed documents than photostats. The company has two big \$72,000 Xerox printers that can reproduce whole books from microfilm in a matter of minutes.

The paper-bound Xerox copies sell at only 3½¢ per page—fairly inexpensive for books that would otherwise be unavailable. At present, Power figures he breaks even by selling five copies of any one book. (Production costs are constant, but the cost of locating and filming in the book—and getting copyright permission, if necessary—is pro-rated among the first five reproductions.) Power accepts orders for only one copy on the theory that when the title appears in his catalogue, other orders will eventually come in.

"We have gone the complete circle," Power says, "from the manuscript book to the small edition of the early printing press, to the large edition of modern printing presses, to the smaller edition of ordinary offset printing techniques—and now back again to the single copy produced on demand."

### III. The Market

Power is constantly reaching out for new markets for the many services his company offers. Until recently only a few businesses, plus scholars and public and university libraries, were aware of University Microfilms' Xerox service. But now Power has begun to invest in a cautious advertising program.

• **Ivory Towers**—Scholars, of course, have been and will continue to be major purchasers of Xerox copies. Prof. G. B. Harrison of the University of Michigan, a Shakespearean scholar, requires his students in an upper-class seminar to buy Xerox copies of King



EUGENE POWER, scholarly president of University Microfilms, boasts that no out-of-print book is really out-of-print if he can find and film it.

Lear. Harrison can use the copies to show how the original test was affected by early printing problems.

University libraries have placed some big orders for Xerox copies. A few weeks ago, for example, University Microfilms turned out 16,000 pages of Wordsworth's original, handwritten manuscripts for Cornell University at a cost of \$560. But many librarians think of the Xerox service as just another in the myriad of reproduction techniques.

Power is not merely out to buck his competition, however. He has always sought to combine a deep interest in cultural matters with an eye for profit-making opportunities. Thus, he has turned his attention to the acute problems of libraries, which today are flooded with an immense volume of periodicals and books.

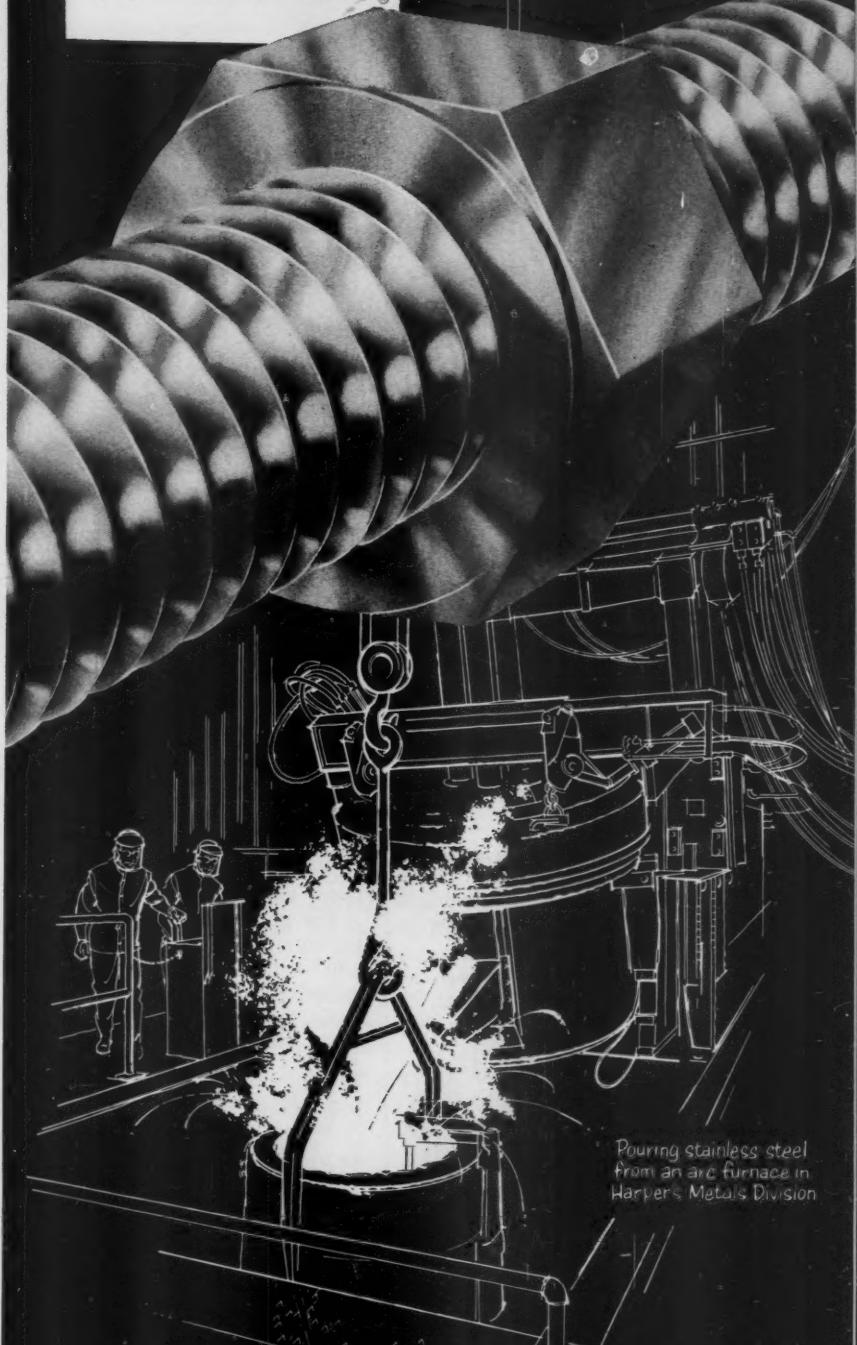
• **National Microfilm Library**—Power's idea: the creation of a national microfilm library for a select list of the most important books published since 1870. This would have the dual purpose of reducing the huge stacks of old books to reels of easily stored microfilm and preserving this century's literature against deterioration.

Power has proposed that a non-profit foundation help pay the cost of filming the books. Power's own non-profit organization, the Microfilm Research Foundation, would pay developing and storage costs and make the microfilm available free to member libraries.

Of course, with such a stock of microfilmed books, Power could benefit through sales to non-members. This is an example of how this versatile, learned abbot of a modern monastery has combined a sort of cultural altruism with business acumen. **END**



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## NEW PRODUCTS



## Drill With the Power Built In

It's a bit unusual to find a power tool at work in open countryside—and a complete oddity to see one without a thick black electric cord attached (picture). But this sight should become more common when a new  $\frac{1}{2}$ -in. drill goes on the market in the fall. The drill, the first to use self-contained power, is the latest product of Black & Decker Mfg. Co., Towson, Md., one of the leading manufacturers of portable power tools.

The new drill is powered by nickel-cadmium batteries located in the pistol-grip handle and weighs only 4 lb. Yet it is powerful enough to drill holes in metal plates or thick wood boards in a few seconds.

• **New Convenience**—Ordinarily, if you want to use a power drill—or any power tool—outdoors, you have to drag along heavy equipment such as a dynamo or an auto battery and an a.c.-d.c. inverter. For most jobs, that's impractical. So a brace and bit or other hand tool is used. But now the new power drill easily can handle such jobs as repairing a boat at anchor, building a cabin in the woods, or other kinds of outdoor construction and maintenance work.

To charge the cells, a battery charger is hooked up to the rear end of the drill and then plugged into a wall socket. From each charge, the cells store up enough energy to drill 75  $\frac{1}{2}$ -in. holes through  $\frac{3}{4}$ -in.-thick boards. They can be recharged at least 400 times before they have to be replaced.

• **Basic Problem**—The big obstacle Black & Decker had to overcome to de-

sign this new drill was how to get enough power from batteries small enough to fit in the drill itself.

Since patents are still pending, Black & Decker won't give out details of the tool's internal design. But the company claims that the combination of a new nickel cadmium cell and a new motor twice as efficient as older models has solved the problem.

• **Potential Applications**—The company says its engineers are trying to apply the battery power concept to several other types of portable power tools—saws, riveters, screwdrivers, hedge trimmers, and other construction and garden tools—useful on jobs where there's no convenient source of electricity nearby.

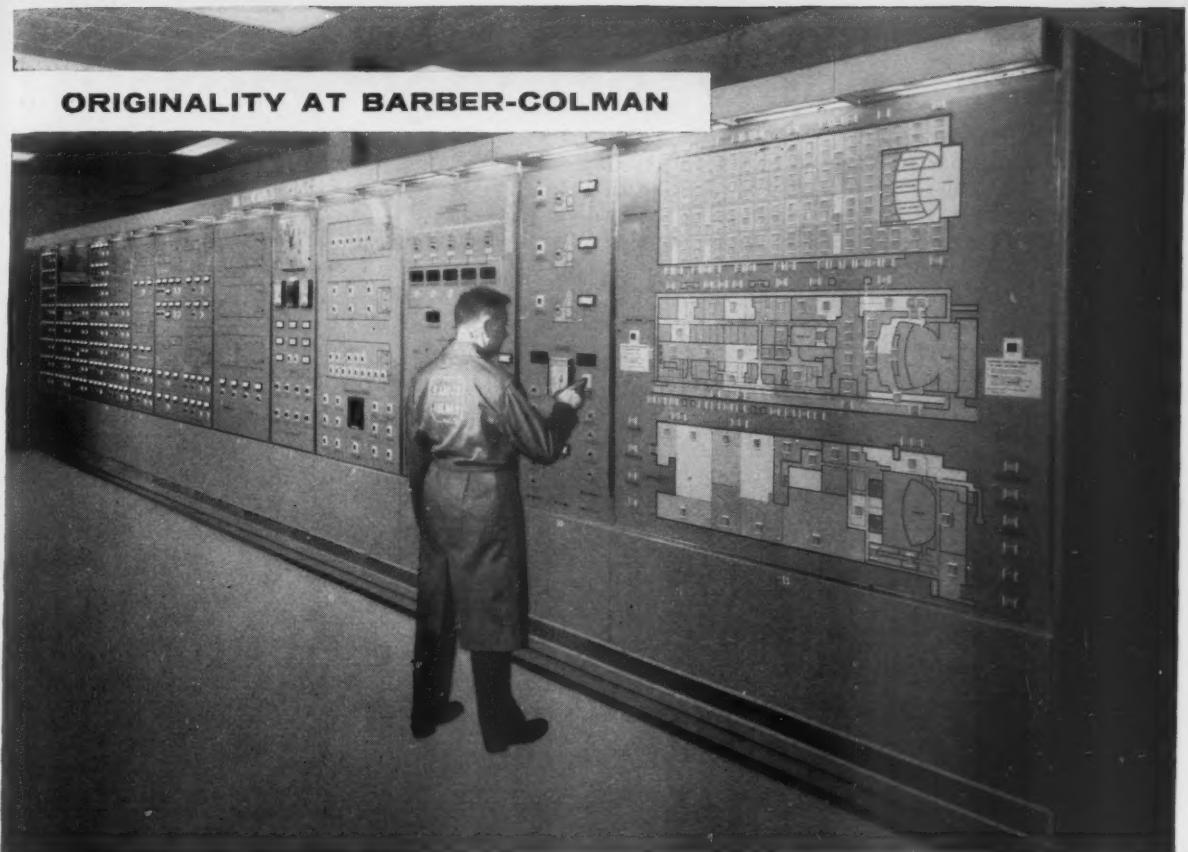
The new drill will cost about \$50.

## Gains for Microwave

Motorola, Inc., says it is producing the first extensively transistorized line of microwave radio equipment. Such equipment is used for point-to-point communication, over ultra-high frequency relay systems.

Motorola has four new basic components: a 6,000-megacycle transmitter-receiver; a unit that splits up the main signal from the transmitter, so that it can carry up to 600 voice, written, and computer data messages simultaneously; telegraph equipment; and an alarm system. The only nontransistorized component is the transmitting tube.

Transistors make the equipment more compact, more reliable, and cheaper to operate than its predecessors.



## An "Electrionic"® mastermind for Chicago's McCormick Place

This new \$35 million exhibition hall is the most modern building of its kind in the country. Among the many architectural-engineering innovations incorporated into its design is the Barber-Colman "Electrionic" Climate Control Center . . . the "brain" for the electrical nerve system of this 36 million cubic foot building.

This new control center **senses** temperatures at more than 145 locations . . . transmits them at the speed of light . . . and corrects for the slightest deviations, to create an oasis of climate-controlled

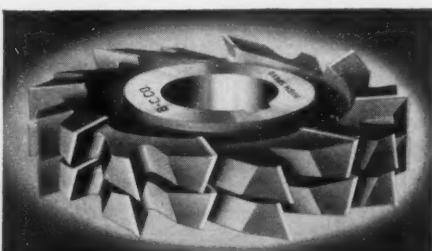
comfort for up to 30,000 people at one time. The 36 foot long control panel shown above monitors the entire air conditioning system—fans, dampers, pumps, motors, valves, and other equipment, including Barber-Colman high-velocity air distribution control units.

Remote control centers for commercial air conditioning, heating, and ventilating were pioneered by Barber-Colman. It's one more example of how Barber-Colman originality benefits the businesses it serves.

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## TRANSPORTATION

# Truckers Fight Heavier Tax Load

To avert a threatened national traffic snarl, Congress in 1956 authorized the most ambitious highway program in history—construction of 41,000 miles of high-speed expressways linking the nation's major cities, plus a vast expansion and improvement of lesser federal-aid roads. Now, only five years after it was launched, the 16-year program is, in the words of Pres. Kennedy, "in peril." Its ailment: a critical case of under-financing.

Under present legislation, the highway trust fund—set up to finance the over-all program—will draw \$42.8-billion in revenue through 1972.

To complete the program on schedule will require an extra \$9.7-billion, or roughly \$900-million a year over the next decade. How to raise this money is one of the tougher decisions facing Congress. The big question: What groups of taxpayers should foot the bill? The table at right shows examples of how the burden is split now and how the Kennedy Administration proposes to change it.

- **More Complicated**—In theory, the decision ought to be easy. For the first time, Congress has in hand a formula that supposedly provides a scientifically objective basis for distributing the burden of highway financing equitably. After four years of intensive research, including elaborate tests to determine how much damage various vehicles do to pavement (BW—Dec. 10 '60, p97), the U.S. Bureau of Public Roads (BPR) has come up with a method that pinpoints who should foot the bills.

- **Bitter Debate**—Actually, the battle over highway financing is more complicated and acrimonious than ever.

Arguments rage over basic theories of taxation, over the accuracy of BPR's formula, and over how it should be interpreted. The antagonists line up this way:

- On one side is the White House, bolstered by the AFL-CIO, highway contractors, and the nation's mayors and governors.

- On the other are the trucking, petroleum, and rubber industries, highway users, and farm organizations.

### I. How It Started

In enacting the 1956 Highway Act, Congress not only launched a new era in roadbuilding, it also sanctioned some major departures in traditional federal aid policies.

The heart of the big highway program is the 41,000-mile network of interstate superhighways. These roads, in-

### How Highway Taxes May Climb

IF YOU DRIVE THIS KIND OF VEHICLE ...	THIS MANY MILES A YEAR ...	YOUR ANNUAL TAX BILL (ON FUEL, TIRES, RETREAD RUBBER, WEIGHT) WILL BE ...	Under Adminis- tration proposal
		At present rates	Under BPR incremental plan
Passenger auto .....	9,600.....	\$29.....	\$32.....
40,000-lb. truck .....	40,000.....	475.....	618.....
55,000-lb. truck .....	60,000.....	700.....	1,175.....
72,000-lb. truck .....	70,000.....	1,040.....	1,917.....

© BUSINESS WEEK

corporating the most modern techniques of construction and design, are limited-access, multilane routes that promise virtually nonstop travel from coast to coast and border to border. When completed, they will join 42 state capitals and 90% of all cities with over 50,000 population. Though constituting only 1.2% of the nation's road mileage, they will carry 20% of its total traffic.

About one-fourth of the system—10,440 miles—is now open to traffic, and work is under way on another 14,000 miles.

- **Financial Issues**—Because of their importance to the national economy and defense, Congress decided that the federal government should pay 90% of the cost of these highways—a far greater contribution than ever before made to road construction—and the states 10%. It also increased substantially federal spending on so-called ABC highways—the principal feeder routes, plus the farm-to-market system. The matching ratio in this case is 50-50.

In addition, Congress adopted a new method of financing the federal share of road costs. Following a practice already in operation in most states, it earmarked solely for road construction a large portion of the taxes collected on motor vehicles and fuels. These taxes, which have come to be looked upon as highway user charges, were diverted from the Treasury general fund into a newly established highway trust fund.

Congress, however, did not put all of the user taxes into the new fund—a fact that is a major issue in the current battle. The principal ones diverted into the fund were the levies on gasoline, diesel fuel, and tires; half the excise tax on new trucks, buses, and trailers; and new taxes on retread rubber and on trucks weighing more than 26,000 lb. Left in the Treasury Dept.'s general

fund were the other half of the 10% excise tax on trucks, buses, and trailers and all of the excise taxes on new cars, parts and accessories, and lubricating oil.

### II. Complications Arise

The highway trust fund had hardly begun operating before three major blows sharply restricted its effectiveness:

- Congress revoked the fund's privilege of borrowing from the Treasury in heavy construction years when expenditures would exceed income. It put the highway program on a pay-as-you-go basis.

- The initial cost estimate of the interstate system proved grossly underestimated. The cost at first was put at \$27.5-billion; now it is placed at \$41-billion.

- Then, in 1958, Congress decided to use the highway program as a recession antidote. The pay-as-you-go requirement was suspended temporarily for two years and extra contracts were let without additional money being put in the kitty. The result: The program had to be slowed down when it went back on a pay-as-you-build basis. The slowdown would have been worse had Congress not increased the gasoline tax from 3¢ to 4¢ for two years ending next June 30.

- **Kennedy's Proposals**—These and other factors combined to throw the financing scheme seriously out of kilter. In his second month in office, Kennedy sent Congress a special message expressing his deep concern and outlining his prescription for a cure.

First of all, he firmly backed the pay-as-you-go principle. The President then proposed that Congress:

- Cancel the scheduled 1¢ drop in the gas tax and continue it at the 4¢ level for the life of the highway program. This would provide two-thirds

## **LET'S KEEP**

# **Business Help For Our Colleges Going Full Speed Ahead**

"Should our company fold up its program of financial help for higher education now that the Kennedy Administration plans to have the federal government provide this kind of help in a big way?" It is clear why, in the light of campaign promises and plans announced since, this question is being raised in many business firms at this juncture.

What seems far clearer, however, is the right answer to the question. It is a resounding NO! **This is no time for the business community to ease up in what have been its notably successful efforts to help our colleges and universities get out of the deep financial hole in which they are operating. On the contrary, this is the time to put more steam than ever behind the drive of business to increase its financial help for higher education.**

### **Massive Help Needed**

It is easy to understand why any individual businessman or firm might have a rather despairing feeling about the prospect of competing with the federal government, with its almost all-embracing tax arm, in providing financial support for higher education or almost anything else for that matter. But this is not a case of competition. It is a case where our colleges and universities must have massive help all along the line if they are to be put squarely back on their feet financially—a goal of crucial and perhaps decisive national importance. **The business community will continue to have both the opportunity and the obligation to keep on increasing its help for higher education as rapidly as possible.**

To underline this proposition take a look at the chart at the top of the next page. It shows

how far the salaries of college and university faculty members continue to lag behind those of other occupational groups in the U.S.A. There has been some relative improvement in the average of faculty salaries in recent years. And the salary improvement in some fields, such as those of science and mathematics, has been very pronounced. But the chart makes clear how badly the average salary of college and university faculty members still lags.

### **No Federal Funds For Salaries**

The plans for increased financial aid for higher education, proposed by President Kennedy, do not contemplate increased expenditure for faculty salaries. This, we believe, is wise whether or not you feel, as many do, that resort to this kind of federal financing would inevitably carry with it federal controls that would ultimately undermine academic independence. The fight over federal appropriations for faculty salaries would be so long and bitter that it would be destructive to the aid program as a whole.

However, what the federal government will not be doing to remedy the deplorable condition of faculty salaries, as reported by the chart, is one indication of the tremendous scope that remains for crucially important help for higher education from business. Manifold other indications are available.

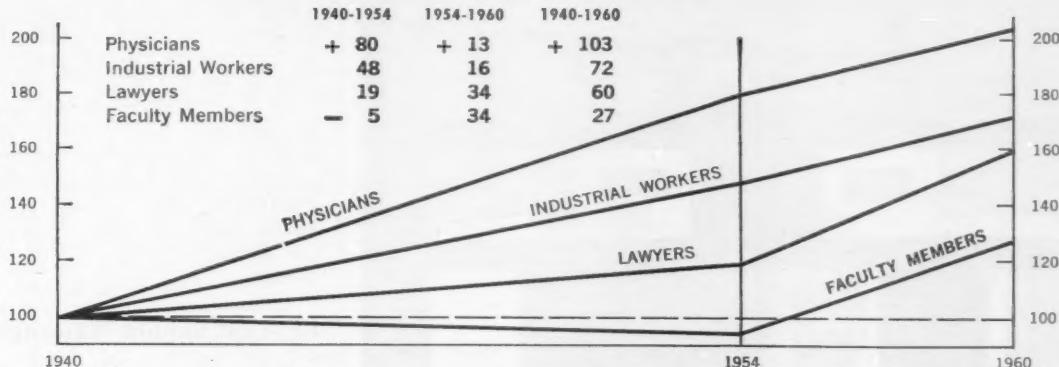
### **Disaster Escape Route**

One of these indications is provided by the careful calculation that the annual income of our colleges and universities must be increased by about \$4½ billion (from about \$4½ billion to about \$9 billion) over the next eight years if the tremendous wave of students

## WHAT HAS HAPPENED TO COLLEGE FACULTY SALARIES

Index (1940=100)

Percent Change  
Real Income Before Taxes



Sources: U.S. Department of Commerce; U.S. Department of Labor; National Education Association; McGraw-Hill Dept. of Economics.

now gathering to descend on these institutions is not to wind up in both a financial and an educational disaster. This wave promises to add more than 2.5 million, or 75%, to college enrollments by 1970.

Thus far, the program for financial help for higher education by business, spearheaded by the Council for Financial Aid to Education, has been a remarkable success in all dimensions. The dollars contributed have increased rapidly—from about \$100 million five years ago to about \$150 million this year. Contributions of \$500 million a year by 1970 are a clear possibility.

One of the inspiring developments increasing this possibility stems out of Cleveland, Ohio. There through their chief executives, an imposing group of business firms have established one per cent of their profits before taxes as their minimum goal for contributions to higher education, to be reached within three years. General acceptance of this goal by business would go most of the way toward getting our colleges and universities firmly on their feet financially.

### Mutual Respect Increased

The mutual esteem of the academic community and the business community, an element of enormous importance to a free society, has been increased by the manner in which the program of financial aid has been carried out. In making its contribution, there has been no attempt whatsoever on the part of business to encroach upon the academic freedom of the institutions financially benefited. And the program of financial aid has greatly increased the knowledge, understanding and respect which the colleges and universities and business have for each other.

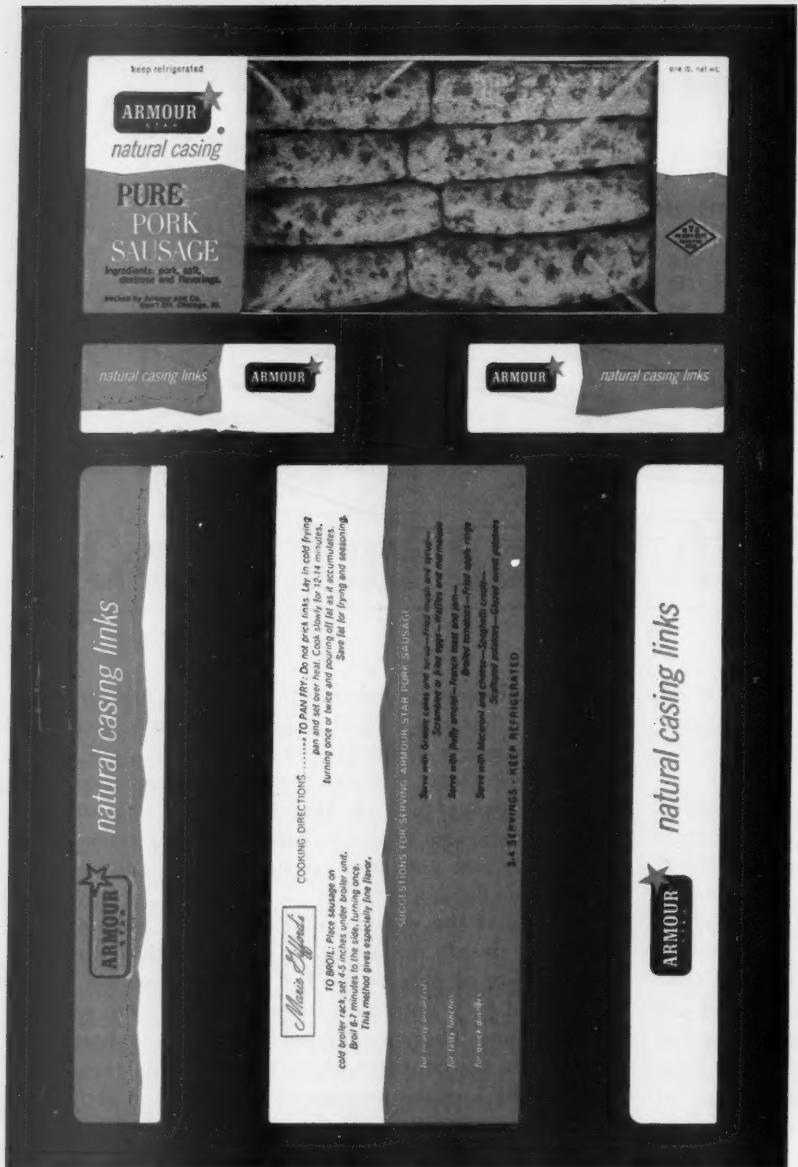
The Kennedy Administration's program to enlarge federal financial support of higher education is certain to arouse strenuous controversy. As proposed by its Task Force, it avoids some of the most controversial areas of principle. However, the very magnitude of the proposed extension of the federal government's already vast program of financing higher education involves fighting issues.

**But if the enlargement of federal aid were to be deeply discouraging to the continued expansion of private aid for higher education, it would be a national misfortune of major proportions. There is no good reason why it should be. On the contrary, there is compelling reason for the business community to continue giving higher education all the financial help it possibly can, thus speeding onward a program that has been and continues to be a major constructive force for our colleges and universities, for business and for the nation.**

This message was prepared by my staff associates as part of our company-wide effort to report on major new developments in American business and industry. Permission is freely extended to newspapers, groups or individuals to quote or reprint all or part of the text.

*Donald C. McGraw*  
PRESIDENT

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of the \$900-million in revenue needed annually.

• Raise the remaining one-third by sharply increasing taxes on diesel fuel, on trucks weighing more than 26,000 lb., and on tires, inner tubes, and retread rubber.

Practically all of the increased taxes would fall on heavier trucks that use diesel fuel—the big truck-trailer combinations that ply the highways in common or private carriage. Kennedy argued that these trucks are not now bearing their fair share of the tax burden, considering the benefits they reap from better highways and the extra construction costs required to accommodate them. He relied on the BPR's cost allocation study to justify his conclusion.

### III. Cost-Benefit Research

When Congress made the decision to finance highways solely out of user taxes, it realized that inequities might result. It therefore ordered BPR to make an exhaustive study to determine (1) whether so-called non-users, or indirect beneficiaries of the highway system, such as motel owners, should make some contribution toward its cost, and (2) whether the taxes that were levied had been equitably divided among vehicles of various sizes and weight.

• Conclusions—The bureau spent four years gathering and analyzing data. It arrived at a measurement of highway benefits by studying vehicle operating time and accident costs; by analyzing tax assessments and records of property sales to determine the effect of highways on land values; by studying changes in land use, and by investigating other evidence of the impact of highway improvements.

It gathered from its own store of knowledge and from the states' extensive data on highway costs. In addition, a key role was played by the two-year, \$27-million Ottawa (Ill.) road tests conducted under the auspices of the American Assn. of State Highway Officials.

In the AASHO tests, trucks of various sizes and weights were driven more than 17-million miles over different types and designs of pavement—all on an eight-mile stretch of Illinois countryside. The tests were to help determine more exactly the standards of highway construction that progressively heavier trucks require, and how much wear and tear they cause different road structures. Most of the tests were concluded in November, but because of the massive job of analyzing the data, it was announced that no final conclusions could be drawn until summer.

In January, while the Eisenhower Administration was still in office, the bureau submitted its first findings to Congress. The principal conclusion was

that non-users should be assessed about 8% of the cost of the highway program. The other 92% was found to be the responsibility of users.

Meanwhile, the Eisenhower Administration left office and the Kennedy Administration moved in. A new Democratic chief, Rex Whitton, former chief highway engineer of Missouri, took over at the Bureau of Public Roads.

• **Quick Decisions**—The new President faced the task of coming up quickly with recommendations to Congress on highway financing. It was obvious that billions in new revenue would be needed, and the scheduled drop in the gasoline tax was only a few months away. Kennedy ordered a new study of the research data available and some firm conclusions drawn.

On Feb. 28, he sent his highway message to Congress, and top Administration officials went before the House Ways and Means Committee to elaborate on it. The tax battle was joined.

Whitton testified that the Administration had settled on the so-called incremental method as the "most sound" way to allocate highway costs and that Kennedy's call for sharply higher taxes on heavy trucks was based on it. Furthermore, he said that preliminary results from the AASHO test were used in arriving at an incremental solution. In view of the previous announcement that no results would be available until summer, this came as a surprise. Witnesses for the American Trucking Assns. immediately cried foul and questioned the use of inconclusive AASHO results.

But Whitton said it was the Administration's opinion that the preliminary results were indicative and that any change in the cost allocation formula, once the final results are in, "will not be very great." Pavement costs represent only about one-fourth of the highway bill, and the bureau felt that they could be tentatively fixed on the basis of the preliminary data received from AASHO. Meantime, AASHO is maintaining scholarly detachment; its researchers are moving ahead with their detailed reports.

• **Method of Figuring**—The incremental method selected by the Administration is based upon the concept that the principal factors governing highway design and cost are traffic volume and weight of vehicle. Thus, beginning with a basic design for passenger cars only, the extra costs in pavement thickness, number of lanes, etc., for progressively heavier vehicles can be measured in increments. BPR calculations show that a 40,000-lb. truck-trailer combination should have nearly three times as great an assessment as a passenger car and a 72,000-lb. vehicle nearly five times as much.

More than half (56%) of the responsibility for automobiles comes from

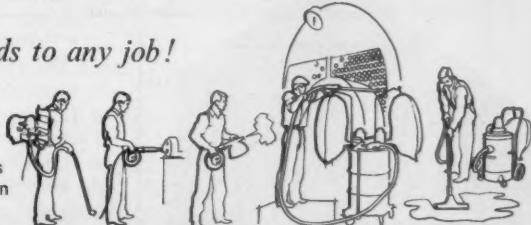
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right-of-way, grading, administrative, and other miscellaneous costs—costs not affected by size and weight. But for a 72,000-lb. truck-trailer, the responsibility shifts—only 20% for miscellaneous items with the remainder divided nearly evenly between bridges (23%) and pavement (21%). This reflects the greater structural requirements necessary as vehicles become heavier.

The tax formula proposed by Kennedy closely follows the findings of the incremental method (table, page 153). Nevertheless, his proposals are under strong fire, and arguments marshaled against them are getting serious attention in Congress.

- **Truckers Squawk**—The truckers, who would be hit hardest, have raised the loudest outcry. Of the \$300-million that would be raised by the tax increase proposed, \$195-million, or 65%, would come from heavy trucks (diesel vehicles over 26,000 lb.), which represent only 1.4% of all motor vehicles. The annual tax on a five-axle combination weighing 62,000 lb. would jump from \$1,148 to \$1,871. And this does not include state taxes.

ATA points out that the increased taxes, when applied to 2,666 major interstate for-hire carriers, would amount to \$63-million a year—a figure exceeding the \$54-million after-tax profit they realized last year.

An ATA spokesman told the House Ways & Means Committee: "It is a simple fact that the nation's motor carriers are unable to pay more."

Truckers and other highway users fighting Kennedy's proposals make two other main points:

- Non-users should share in the costs. The President rejected BPR's findings to this effect, but diverting 8% of non-user revenues from the Treasury to the highway trust fund would provide \$250-million—close to the \$300-million additional requested.

- Perhaps the trust fund should be given the approximately \$1.3-billion in user taxes that still remain in the general treasury.

- **Outlook**—A final decision by Congress on Kennedy's highway financing plan is a long way off; preliminary skirmishes are still being fought in committee. Indications are that a compromise will emerge. The trucking industry has launched a massive lobbying and letterwriting campaign.

Chances are that Congress will wind up by agreeing with Kennedy that the highway program should be kept on schedule and on-a pay-as-you-go basis. It is likely to go along with his request to keep the gasoline tax at 4¢ a gal., but to scale down the tax increases that would fall most heavily on truckers and to disagree with his insistence that highway users bear all of the new tax burden. **END**

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## Can We Match the Soviets in Space?

No one can accuse Washington of reacting hysterically to last week's news that Russia had put a man in space and returned him safely to earth. It took Moscow's historic announcement in stride—almost as if it considered defeat inevitable in our efforts to match the Russians in space "spectaculars."

In a sense, this is no more than a realistic appraisal of the facts. For all the soundness of our space exploration program, there is little chance of outpacing the Russians for at least the next three to four years.

The reasons we are behind the Russians are clear enough. We started our space program later. And we still don't have rocket boosters sufficiently powerful to lob heavy payloads into outer space (page 32).

How we got into this situation is a matter of history dating back to decisions made shortly after World War II. At that time, we developed small, lightweight nuclear warheads that could be delivered on target by less powerful rockets. Russia followed a different course, largely out of expediency. Lagging in nuclear developments, it set out to design powerful rockets to launch missiles equipped with heavy, fairly crude warheads.

When Russia embarked on a space program, it took its military missiles off the shelf and used them to boost heavy satellites and man-in-space capsules into outer space. We entered the competition belatedly—after the jolt of Sputnik. And when we did push forward with a space program in 1958, under the civilian-controlled National Aeronautics & Space Administration, we had to draw on our inventory of less powerful missiles.

Even so, we have scored significantly in space achievements. We can boast a clear lead over the Russians in gathering scientific data from communications, weather, and other types of satellites.

But we can't stage the impressive, prestige-building feats as the Russians can. And these have enormous impact on the minds of all people.

It's high time that this country took another look at its space program to see just where and how it can be speeded up. Big, new outlays of money won't make up for the original delays in starting and formulating our space program. But—in the opinion of some government officials—small increases in the funds assigned to development of immensely powerful rockets and solid (as opposed to liquid) fuels would go a long way.

Beyond that, the Administration should give the space program a sense of top-priority urgency rather than repeat, like a tired phonograph record, that our program is "sound." While this country recognizes the scientific and commercial gains to be made in space, it grasps the psychological and political gains only after a Sputnik or man-in-space success—and then soon forgets.

We are, like it or not, in competition with the Russians. Other peoples around the world see it that way. It is surely shortsighted for a country that has thrived in an atmosphere of competition to pretend that the space race does not exist.

## Reforming the Agencies

President Kennedy is facing up to realities on the problem of revamping the federal regulatory agencies. His message to Congress asked for no more than Congress can reasonably be expected to give—and that is much less than his special assistant, James M. Landis, proposed in his original report.

The agencies' shortcomings are widely known. Delays are perhaps the most notable. The Federal Power Commission, for example, has a backlog of 4,000 cases of rate increases for natural gas.

The President's recommendations are general and gradual. He calls for the appointment of better men. He asks for more coordination between agencies so that, for example, CAB and ICC would consider the effect of their decisions on other forms of transportation. The President would make the chairmen much more responsible for administering their agencies. He would have commissioners write—and sign—their own decisions.

The President went specifically into the problems of only one agency, the Federal Power Commission. There he recommended enlarging the membership of the commission and allowing it to exempt small producers of natural gas from regulation.

These are relatively simple changes. They should—by giving good men more effective tools—contribute to the smoother functioning of the agencies.

But the biggest problems involving the agencies remain untouched. Indeed, the agencies as they have developed over the years probably don't have the powers to deal with the most pressing problems ahead of them. The Eastern railroads, for example, are heading into mergers on a scale that calls for establishing new national policies on these systems and their place in the economy. Among airlines an equally complex situation is developing. The problem of effectively allocating radio frequencies, now that the world is moving toward using satellites for communications, will call for global coordination.

There seem to be few simple answers for these problems. Many of them grow out of the exigencies of a rapidly expanding economy and technology. But the problems won't solve themselves.

It will take a series of studies and investigations—perhaps by Congressional committees with very broad scope—to define the problems and set national policy on them. Until this is done, no real reform of the agencies will be possible.

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